MINISTRY OF BUSINESS,
INNOVATION & EMPLOYMENT
HĪKINA WHAKATUTUKI

BRIEFING

Approach for Options analysis on the LNG import terminal and alternatives

Date:	29 October 2025	**Priority:**	Medium
Security classification:	In Confidence	**Tracking number:**	BRIEFING-REQ-0022891

Action sought		
	Action sought	**Deadline**
Hon Simon Watts **Minister for Energy**	**Agree** the proposed approach for the options analysis for the December Cabinet report back covering LNG import facility and alternative investment possibilities to meet dry year cover needs.	7 November 2025
Hon Shane Jones **Associate Minister for Energy**	**Note** the proposed approach for the options analysis for the December Cabinet report back covering LNG import facility and alternative investment possibilities to meet dry year cover needs.	None

Contact for telephone discussion (if required)			
Name	**Position**	**Telephone**	**1st contact**
Rebecca Heerdegen	Director, Energy Markets	s 9(2)(a) [redacted]	✓
Daniel Cruden	Principal Policy Advisor, Electrify NZ		

The following departments/agencies have been consulted
The Treasury, and DPMC have been involved in the development of the approach for options analysis, and informed of the content of this paper

Minister's office to complete:

☐ Approved
☐ Noted
☐ Seen
☐ See Minister's Notes
☐ Declined
☐ Needs change
☐ Overtaken by Events
☐ Withdrawn

Comments

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Purpose

You are due to report back to Cabinet in December on whether to proceed with procurement for an LNG Import Facility. The report-back will include analysis of alternative investment options. This paper provides our intended approach for the options analysis and timeline to report back.

Recommended action

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

a **Note** that Cabinet has agreed to commence a procurement process for a liquefied natural gas (LNG) import facility and invited you to report back in December 2025 following Phase One of this process with an options analysis and recommended next steps (CBC-25-MIN-0054 refers).

Noted

b **Note** that MBIE is currently running Phase One which includes a registrations of interest process designed to test market interest and capability for such a facility, as well as an accelerated delivery solution.

Noted

c **Agree** the proposed approach outlined in this paper for the options analysis for the December Cabinet report back covering LNG import facility and alternative investment possibilities to meet dry year cover needs.

AS DISCUSSED *Agree / ~~Disagree~~*

s 9(2)(a)

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

29 / 10 / 2025

Hon Simon Watts
Minister for Energy

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Background

1. On 22 September 2025 the Cabinet Business Committee directed MBIE to commence a procurement process for an LNG import facility (CBC-25-MIN-0054 refers) and invited you to report back in December on results from Phase One, an options analysis (including alternative investments), and a preferred option. The basis for Government investment is to address market failure to deliver sufficient fuel and/or generation capacity to cover dry year risk.
2. Phase One of the procurement for an LNG import facility is a registration of interest (ROI) process. This will test market interest and capability for delivering such a facility and also invites submissions for accelerated delivery solutions which could see an import facility in place for winter 2027.
3. We have previously provided you with advice on alternative generation to reduce reliance on natural gas (BRIEFING-REQ-17895 refers). We are building on that work to provide options analysis for your Cabinet report back.
4. This briefing outlines the intended timing and scope of the report back Cabinet requested.

Scope of December report back

5. The key issues that will be addressed through the report back are:
   - How LNG importation compares with other options for dry year cover.
   - If LNG is the preferred option, what approach to procuring LNG infrastructure to pursue.

Considering the alternatives to LNG importation

We are investigating a long list of potential alternatives

6. MBIE's advice will compare the LNG import facility option(s) with alternative options that aim to increase generation capacity. We have developed the following long list of options but expect that the Cabinet paper will focus on two or three of the stronger options. The alternative options will not be informed by formal market engagement in the same way as the LNG proposal, but the analysis will be sufficient to indicate whether an alternative is worth pursuing.

Option	Description
LNG import facility	Procuring a new LNG import facility (with various configurations, based on Phase One procurement information).
Additional diesel peakers	Purchase of additional diesel (or multi-fuel) peakers. These units are typically used for short-duration peaking. They offer rapid start up to supply power during times of high usage/demand, but may be used to provide longer term dry year cover.
New multi-fuel generation	This option involves the purchase and establishment of additional multifuel thermal generation units (ie units that can run on fuels like coal and biomass) either at a new site or at the existing Huntly facility. These units have slower start up times than peakers and typically provide medium to long duration cover.
Using methanol to fuel existing gas infrastructure	Using methanol as a fuel source for existing/upgraded or new peakers to provide dry-year cover.

Hydro option(s)	Hydro-based options could involve raising lake levels, greater contingent storage and other ways to reduce variability of hydro supply. These options could be referred to Action 2.5 in the Government's Energy Package (build reliability and resilience into the market) even if not pursued under this action.
Grid Scale Batteries	Battery-based options are being investigated, but the technology is currently limited to evening and morning peak coverage (unlikely to be included in our short list).
Distributed demand response	Paying large- and medium- scale consumers to run back-up generation (through onsite emergency generators) and/or reducing demand.

Options will be considered primarily in terms of dry year cover

7. In keeping with Cabinet's intent for this work to address dry-year risk, options will be assessed primarily against the extent to which they would provide sufficient cover in a typical dry year. We have assumed an additional 1.5TWh, over and above current actions (such as the Huntly Heads of Agreement). We are testing this figure further, under a range of scenario so that we can be clear about the level of security in a dry year.

8. Our advice will include:

   - Assessment of the level of dry year coverage the government could consider investing in (including clarity about the remaining risks with any option).
   - The expected scale of cover being provided by the preferred option.
   - What steps (if any) could manage the residual risk.

9. We will also set out the ability of each option to address the impacts of declining gas supply on large-scale consumers (either by boosting supply, or reducing demand for gas), as a secondary objective.

10. To test delivery against these objectives, we will consider each option against the following criteria:

Criterion	**Rationale**
Timeliness	How rapidly an option could be delivered, (ideally from winter 2027 and from 2030 at the latest) given this work's focus on near-term dry-year cover.
Flexibility	Extent to which an option can scale up and down easily with different levels of demand. We will also consider whether options are able to generate with different fuel sources, as this provides additional resilience.
Cost	Capital and operating costs will be a key consideration, as well as the option's likely impact on the price of electricity (this latter analysis may be limited by the time available). We will also set out potential costs/risks to the Crown (noting funding options will be part of future work).
Technical feasibility	Options need to be deliverable; we will also consider how well it fits with New Zealand's specific characteristics (regulatory requirements,

	geographic layout, scale, etc).
Impact on other generation	What impact the option might have on the future development/crowding out of other generation (particularly renewables).
Spillover effects	Benefits and costs beyond providing dry-year cover, such as providing additional gas market supply, or emissions impacts.

What type of LNG importation model to pursue

11. The ROI opened on 6 October 2025 and will close on 17 November 2025. Based on work leading up to the ROI's commencement, a conventional scale facility (which could receive up to 4 PJ per delivery) could be in place by 2029 but there may be options to deliver an LNG import facility earlier than that. The ROI will give us insights into what these accelerated delivery options may look like, including the potential trade-offs with scale.

Next steps

12. A timetable of next steps, aimed at seeking Cabinet decisions by the end of this year, is provided below. It assumes that Cabinet grants the Cabinet Economic Policy Committee (ECO) meeting scheduled for Wednesday 17 December 2025 power to act on the paper.

13. The timetable also assumes a significantly reduced timeframe for ministerial consultation (around one week).

14. These timeframes are driven by the close date of the ROI. We will be assessing proposals and developing advice within two weeks.

Date	Milestone
Monday 17 November	ROI closes, Ministry panel begins assessment.
Friday 21 November	Non-LNG options analysis and draft Cabinet paper with placeholders for LNG content (initial "results" from the LNG procurement process will be included).
Week commencing Monday 1 December	Updated draft Cabinet paper for ministerial consultation with advice on LNG options.[1]
Tuesday 9 December	Ministerial consultation closes
Thursday 11 December	Lodge Cabinet paper
Monday 15 December	Cabinet grants ECO power to act
Wednesday 17 December	ECO considers Cabinet paper.

15. If Cabinet agrees to an LNG option, a further report-back in the first half of 2026 is likely seeking agreement to detailed arrangements such as:

- Outcome of commercial negotiations, including scale/specifications of preferred option.

[1] The analysis of submissions received through the ROI process may not be 100 percent complete by this date, especially if a large number of submissions are received.

- A cost recovery model.
- Institutional arrangements to deliver the preferred option.
- Agreeing to legislative changes if required.