

Hon Simon Watts

Minister of Climate Change
Minister for Energy
Minister of Local Government
Minister of Revenue



Rt Hon Simon Upton
Parliamentary Commissioner for the Environment
PO Box 10241
Wellington 6140

Dear Simon

Thank you for your letter of 5 March 2026 regarding the Government's decision to procure a liquefied natural gas (LNG) import facility. I note your comments regarding an energy strategy but wish to briefly respond to some key matters about LNG raised in your letter.

The core purpose of the LNG import facility will be to provide fuel for back-up electricity generation for dry years. As you note, the design of the import model and structuring of the relevant contracts will play an important role in mitigating the risk that the price of domestic gas becomes linked with that of international LNG. While I cannot discuss the details of the procurement process at this stage, we are undertaking steps to mitigate these risks which are outlined at a high level in the Cabinet paper.

I also agree with you that those who benefit from LNG importation is the key consideration in who pays for the facility. As I have noted publicly, there is clear evidence supported by MBIE, BCG and others that the electricity sector will benefit, through a reduction in forward prices. It is because of this benefit that the electricity sector will be levied to pay for the terminal.

That said, the Government is open to recovering costs from the gas sector as well, and work is underway to develop the full funding model for the LNG facility. Costs of the LNG itself will be met on a commercial/user-pays basis by users of LNG.

Thank you for taking the time to write.

Your sincerely

A handwritten signature in black ink, consisting of a large, stylized 'S' followed by a long horizontal line extending to the right.

Hon Simon Watts
Minister for Energy