

# Update from the Chair

February 2026

## Is this week's LNG announcement a good thing?

### A personal reflection on this week's announcement

MEUG has not yet formed a view on the Government's announcement that it will contract to build a LNG import facility in Taranaki. There is a lot of detail to be worked through, so forming a final opinion now would be premature. However, I thought it might be worthwhile sharing my initial thoughts.

Firstly, the announcement needs to be looked at alongside the Huntly strategic reserve and other security of supply initiatives. It does potentially help ensure future gas supply for those industries or businesses that need gas as part of their manufacturing process and who cannot transition to an alternative fuel source. It is too early to know if the commercial numbers will line up, but potentially this could be a genuine fix.

The wider context for electricity users is long-term wholesale electricity prices should average somewhere between \$100 to \$130 MWh. The reality is prices in recent years have stubbornly held at around \$160 to \$170 MWh. Consumers have been paying a risk premium of \$40 - \$50 MWh. Our large generators have pointed the finger squarely at uncertainty about lack of gas and future gas supply. A LNG import facility removes this risk. If we need gas, we will be able to bring it in if our own gas fields are not productive.

If prices do not come down as a result of largely addressing the fuel risk, then ministers will have clear evidence of market failure. The Government has said the LNG import capability will reduce wholesale prices by \$10 MWh. If the announcement does fix the fuel risk, then wholesale prices should come down by more than \$10 MWh. But even if you have a healthy skepticism of government numbers, if the price reduction is half what the government is claiming, we should still be better off – if the cost to consumers is between \$2 – 4 MWh and the cost reduction is \$5 MWh, that is better than the status quo.

This should also put a soft cap on wholesale prices. A gas price of \$20-\$25 GJ roughly translates to a wholesale electricity price of around \$230 to \$290 MWh. Even after you add a scarcity premium for when the hydro lakes are low, peak prices should be well below the \$800 MWh we saw in August 2024. This, along with risk pricing, are areas the Electricity Authority will need to rigorously monitor in the future and be prepared to act decisively on if the need arises.

The status quo is a useful alternative to consider. Not doing something to secure future gas supply would be to roll the dice with New Zealand's economy. People might debate whether the LNG import terminal is the best option, but the pragmatic reality is we needed to do something and the Government has.

There are concerns that future LNG prices might spike when we might need to be buying LNG, so the pricing numbers the Government has quoted might be optimistic. This valid concern could be addressed if we create gas storage, so we can buy LNG at a low price and store it until we really need it.

Our hydro generators should also not need to hold back as much water in the lakes because we should have certainty about gas availability as a backstop. And because hydro generators can use more of their water, more of the time, rather than holding it back, we should see more hydro generation and lower prices.

There is a lot of detail yet to come and it is too early to render a verdict if the Government's announcement will solve the security of supply issue we have. But at the end of the day, this should remove some of the drama from the market, and that in itself would be a good thing.

## Key dates

What's on	Who	When	Notes for members
<b>Submission:</b> Removing barriers to new connections	Electricity Authority	4 Feb	The Authority is seeking feedback on <a href="#">proposals</a> to address inefficiently high up-front charges some consumers face when wanting to connect to distribution networks.
<b>Cross-submission:</b> Removing barriers to new connections (proposal C)	Electricity Authority	5 Feb	The Authority is seeking feedback on <a href="#">proposals</a> to address inefficiently high up-front charges when connecting to distribution networks. Proposal C relates to minor Code amendments.
<b>Submission:</b> Energy Competition Task Force	Electricity Authority	9 Feb	The Authority is seeking <a href="#">feedback</a> on potential competition-based issues to assist the development of its 2026 work programme.
<b>Meeting:</b> MEUG Executive Committee	MEUG members	10 Feb	First Executive Committee meeting for 2026, with speakers from Contact Energy, Aurora Energy and Alpine Energy.
<b>Deadline:</b> Nominations for Technical Group	Electricity Authority	10 Feb	The Authority is calling for <a href="#">nominations</a> for its Network Connections Technical Group.
<b>Submission:</b> Average emissions factor	Ministry for the Environment	10 Feb	The Ministry is consulting on updating the 2026 national average emissions factor for natural gas in the NZ ETS regulations.
<b>Webinar:</b> Te Kanapu technical approach	Transpower	12 Feb	Transpower is holding a <a href="#">webinar</a> to discuss some of the key elements of the Te Kanapu methodology the team are using to model the physics and economics and create a draft grid blueprint.
<b>Cross-submission:</b> Redclyffe project	Commerce Commission	13 Feb	The Commission is seeking feedback on its <a href="#">draft decision</a> to approve Transpower's Redclyffe major capex project proposal.
<b>Submission:</b> Planning Bill and Natural Environment Bill	Select Committee	13 Feb	The Select Committee is seeking <a href="#">public submissions</a> on the Planning Bill and Natural Environment Bill. Together, the Planning bill and Natural Environment bill would repeal and replace the RMA.
<b>Submission:</b> USI project	Commerce Commission	17 Feb	The Commission is seeking feedback on <a href="#">its draft decision</a> to approve Transpower's Upper South Island (USI) major capex project proposal.
<b>Submission:</b> Multiple trading relationships	Electricity Authority	17 Feb	The Authority is seeking feedback on a <a href="#">proposed new approach</a> for multiple trading relationships, its assessment of the costs and benefits, as well as an independent cost-benefit analysis.
<b>Submission:</b> Quality incentive adjustment correction	Commerce Commission	20 Feb	The Commission is seeking feedback on its <a href="#">draft decision</a> to re-exercise its power under section 52P of the Commerce Act to correct an error it made in determining the 2025-2030 default price-quality path (DPP4).
<b>Cross-submission:</b> Removing barriers to new connections	Electricity Authority	23 Feb	The Authority is seeking cross submissions on <a href="#">proposals</a> to address inefficiently high up-front charges some face when wanting to connect to distribution networks.
<b>Submission:</b> Code amendment omnibus #6	Electricity Authority	23 Feb	The Authority is seeking feedback on <a href="#">an omnibus consultation paper</a> .
<b>Submission:</b> WUNI stage 2 project	Transpower	25 Feb	Transpower is consulting on a <a href="#">short-list</a> of potential electricity infrastructure investments to ensure a reliable electricity supply to the Waikato and upper North Island (WUNI) region.
<b>Workshop:</b> Reactive power and voltage coordination	Electricity Authority	26 Feb	The Authority invites technical specialists working in transmission and distribution network operations and planning to a <a href="#">workshop</a> in February. The focus is on reactive power flows and voltage coordination.
<b>Submission:</b> System Operator strategy	Transpower	27 Feb	Consultation on Transpower's <a href="#">initial engagement paper</a> as part of the development of a System Operator strategy.