

## Imported LNG bad news now, says think-tank

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*Imported liquefied natural gas (LNG) will push up electricity prices and discourage investment, says the Centre for Advanced Engineering (CAE) think-tank.*

CAE executive director George Hooper said importing LNG was a big decision that would alter New Zealand's energy future. The centre is close to completing a study showing imported LNG would be up to 20 per cent more expensive than local gas.

His comments come after Contact Energy and Genesis Power this week said importing LNG was a viable option to fill the expected gas shortfall to run their power stations from 2008. The power companies expect to decide whether to import LNG by mid-2007.

The CAE study examines national and economic perspectives, Dr Hooper said.

"We would think an LNG importation scenario is likely to result in a decrease in consumer spending and increased electricity costs over a business-as-usual case," he said.

"I think you will get (electricity) demand destruction. You will see investment going elsewhere.

"There's a whole range of issues that I think need be addressed at a public policy level."

A premature decision to import LNG would discourage the local gas exploration industry and coal development, he said.

The CAE study showed importing LNG would be more expensive than Contact and Genesis estimated.

Contact and Genesis said two studies they had commissioned revealed importing LNG would cost \$6.50 to \$7.50 a gigajoule.

At that price, electricity could be produced using LNG at the competitive price of 6.8 cents to 7.5 cents a kilowatt hour.

The \$6.50 to \$7.50 price range has surprised the gas industry and is lower than the \$9 to \$10 a gigajoule initially talked about.

Dr Hooper said the CAE study showed imported LNG would cost more than \$8 a gigajoule.

"Our study is showing that the projected cost of LNG imports could be about 17 per cent higher than from a business-as-usual case of domestic supply. So there is a 15 per cent to 20 percent premium," he said.

The CAE study was funded by the exploration industry and electricity players to assess the state of thermal fuel supply after the expiry of cheap Maui gas, he said.

A business case for imported LNG was unlikely now because of the considerable commercial risk.

But if a case could be made, "then clearly it makes common sense to do it".

The forecast from Genesis and Contact did not consider any gas that might be expected from a vigorous exploration programme and new gas discoveries, he said.

Also it did not allow for attrition in the demand for gas as companies switched to coal and other fuels.

"It's a very simple picture that is being presented by Contact and Genesis," Dr Hooper said.