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Aide memoire

STRATERRA™
NATURAL RESOURCES OF NEW ZEALAND

Policy advocacy: proposed Canterbury Air Regional Plan
12 November 2015

Introduction

Kia ora, and good morning. My name and title are Bernie Napp, policy manager at Straterra.

I am presenting today as a policy professional and advocate for the NZ minerals and mining industry, on behalf of Straterra, the industry organisation. My tertiary qualifications are in geology, and journalism. My work experiences includes: news reporting on science and environment; communications and policy analysis for the Department of Conservation; and more than five years at Straterra working across a wide range of legislation and regulation affecting our sector. In preparing our submissions on RMA matters, we draw on the expertise of the Straterra membership, in law, planning, business, science, engineering, and environment.

Straterra's primary submission, and response to the summary of submissions on the proposed Canterbury Air Regional Plan are taken as read.

Straterra supports the advocacy and submissions of Fonterra, Synlait, Ravensdown, and Winstone Wallboards, as consistent with, and building on Straterra's earlier submissions in areas of interest and concern to Straterra.

My presentation will focus on the concerns of smaller industrial operators using coal-fired boilers, and miners and distributors of coal to industrial end-users in Canterbury. In so doing, Straterra has drawn on the proposed Canterbury Air Regional Plan (pCARP)[1], and on the Section 42A report[2].

My purpose today is to comment on the section 42A report, and provide recommendations for adoption into the finalised CARP.

Straterra comments on the section 42A report

1. The impression is that ECan wishes to exercise discretion and control over all industrial activities using coal-fired boilers exceeding 40kW. This will have economic consequences;

2. CRL Energy provided a conservative estimate of 42 coal-fired boiler sites that are currently permitted, and which will need to move to resource consents under the proposed regime. The true figure could be much higher;

3. ECan has not determined the total cost of compliance for these operators, and has not compared those costs with the benefits to be expected from reductions in PM_{10} emissions; nor has ECan made a comparison with the costs/benefits associated with reducing PM_{10} emissions from home heating (which, for almost all polluted air sheds in Canterbury, are by far the dominant cause of air pollution);

[1] http://ecan.govt.nz/publications/Plans/air-plan.pdf
[2] http://ecan.govt.nz/publications/Plans/pCARP-S42A-Report.pdf

4. It is unfortunate that ECan has little factual basis for defending its section 32 evaluation of costs and benefits of the pCARP;

5. CRL Energy has estimated there are 120 coal boiler sites in Canterbury (operating under resource consents or as permitted activities). If baghouse filters are needed for all of them – a worst-case scenario, in the absence of any reasonable data or indications from ECan – the total capital cost of achieving that would be approx. $14 million. That does not include resource consenting, testing and monitoring and other regulatory costs;

6. ECan has estimated the costs of getting a resource consent at $15,000. Adding to that the costs of air quality testing, making provision for other costs (e.g., consultants), and multiplying by 120, and that adds at least a further $1-2 million to the costs (over time) of implementing the pCARP;

7. Given the above, the smaller coal-fired boiler operators (less than or equal to 6MW) will struggle to afford compliance with the pCARP, unless their path to compliance is managed in a cost-effective way;

8. Straterra's preference is for smaller operators - as defined above - to be classified as permitted activities, or continue to be classified as permitted activities, subject to standard conditions, which would need to be developed;

9. Failing that, if resource consents are to be required for all operators – which is the clear sense of the s.42A report - a transition period for compliance from the awarding of new consents is needed of at least five years, and that needs to be made explicit in the CARP, for affordability, and to avoid unnecessary business closures in Canterbury (to clarify the intent of Straterra's primary submission);

10. In relation to conditions of resource consents, the determination of Best Practicable Option must include an explicit criterion of cost-effectiveness, for this to be workable for smaller operators;

11. That could be done by including in the BPO assessment a measure of the estimated annualised cost of installing and maintaining a proposed technology, per kilogram of annual PM_{10} reductions to be achieved by that technology;

12. Note: the above is likely to show that phasing out older burners for home heating would be a more cost-effective measure for achieving improvements to air quality in Canterbury than targeting businesses;

13. Note: many businesses have already carried out emissions reductions, while that is not necessarily the case for home heating. By imposing stricter requirements on businesses, those who have already made efforts will be penalised compared to those that have not. To an extent, this issue is acknowledged in the s.42 A report;

14. As to the issue of offsets for new emissions in saturated airsheds, that will create an opportunity for consultancies who will offer brokerage of offsets from businesses entering or expanding in a Clean Air Zone, and those people living in that area who prefer a heat pump, to heating with coal or wood, noting that this will be no easy task; and

15. There is a broader public good aspect to the above – a positive externality - which ECan should be prepared to subsidise, to increase the number of offsetting transactions, with benefits for economic growth and air quality in polluted airsheds.

Recommendations

Definitions

Straterra recommends amendment of the following definition:

> *Large scale fuel burning device means any boiler, furnace, engine or other internal or external combustion device that is designed to burn fuel for the primary purpose of energy production and that:*
>
> *1. has a net heat or energy output of more than 6MW ~~40kW or more~~; or*
> *~~2. is on or is associated with an industrial or trade premise or process.~~*
>
> *This excludes:*
>
> *1. space heating appliances with a net energy output of less than 40kW*
>
> *2. waste incineration devices and crematoria*
>
> *3. motor vehicles*
>
> *4. boats*
>
> *5. aircraft*
>
> *6. industrial and commercial activities with a new heat or energy output of less than or equal to 6MW*

To complement the above, Straterra suggests the insertion of a new definition:

> *Smaller operator means any industrial or commercial activity using any boiler, furnace, engine or other internal or external combustion device that is designed to burn fuel for the primary purpose of energy production and that has a net heat or energy output of less than or equal to 6MW.*

Policies and Rules

The S.42A report says on page 13-2: "*Straterra have submitted a report that analyses costs of upgrading plant and equipment in Canterbury and ask that the report is adopted. The report provides useful analysis and concludes that compliance with the pCARP will be prohibitively expensive for some operators. As a way forward, Straterra suggest location based assessment of mitigation needs with rules tailored to suit.* ***This can be achieved through improvements to the policies****, without developing a more complex suite of rules*" (emphasis added).

In the spirit of the foregoing, and other content in the s.42A report, Straterra proposes the following amendments to Policies 6.20 - 6.22:

> *6.20 Apply the best practicable option to all large scale and industrial activities, and to all smaller operators, discharging contaminants into air so that degradation of ambient air quality is minimised, where BPO is assessed in the context of the nature and scale of activities, cost-effectiveness of emissions mitigation, and of the receiving environment;*
>
> *6.21 Avoid the discharge of contaminants into air from any large scale burning device or industry ~~or trade premise~~, where the discharge will result in the exceedance, or exacerbation of an existing exceedance, of the guideline values set out in the Ambient Air Quality Guidelines 2002 Update.*

6.21A Manage the minor discharge of contaminants into air from any smaller operator, where the discharge will result in the exceedance or exacerbation of an existing exceedance, of the guideline values set out in the Ambient Air Quality guidelines 2002 Update, by applying BPO, in the context of the nature and scale of activities, cost-effectiveness of emissions mitigation, and of the receiving environment;

6.22 Within Clean Air Zones, significant increases of PM10 concentrations from discharges of contaminants are to be offset in accordance with the Resource Management (National Environmental Standards for Air Quality) Regulations 2004, with an exemption from this requirement for smaller operators.

A note to the proposed amendment to Policy 6.22 (above): this is to complement and avoid conflict with proposed new Policy 6.21A.

In addition, Straterra proposes a new rule to suit the smaller operators that are currently permitted, to provide adequate time for compliance with new resource consents: 5 years from the date of the granting of the resource consent.

Straterra proposes content to be included in new Rules 7.17 and 7.18 to enable BPO as appropriate to the receiving environment, and for the inclusion of cost-effectiveness as a criterion.

Straterra recommends guidance or other provisions to provide more clarity over the requirements for offsets (in saturated airsheds) and cost-effective and practicable mechanisms for achieving them.

Section 42A report: Excerpts of relevance for smaller operators

Chapter 3 Background and context

The "quick wins" to help achieve compliance with the NESAQ do not include measures for industry (page 3-1).

A Rule can "apply throughout the region or part of a region", "make different provision for different classes of effects", and "be specific or general in its application", under section 68 (5) of the RMA (page 3-6).

In defining best practicable option (BPO), regard may be had, inter alia, to "the current state of technical knowledge and the likelihood that the option can be successfully applied" (pages 3-6 and 3-7).

It is accepted that "new policies are to be inserted" and that "Rules 7.17 and 7.18 are amended to enable industry to develop in a way that is appropriate relative to the sensitivity of the environment" (page 3-7).

The NESAQ sets targets (e.g., for PM_{10}) .... for this limit to be exceeded no more than three times a year by 2016 and no more than once a year by 2020" (page 3-15).

"Reducing emission from both domestic and industrial sources carries a significant cost to the community ... the pCARP provides for improvements in both sectors to be made over time" (page 3-27).

"The pCARP response to reducing home heating emissions ... will necessarily occur over a longer timeframe (15-19 years) to provide time for people to have reasonable use from technology they have invested in ad ensure time enough to cover the costs of the upgrade" (page 3-27).

"Emissions from industrial sources must also be reduced ... to take a long-term view and provide for growth ... while emissions reduction continues. It is accepted that this intention has not been fully realised through the pCARP and ... there is an opportunity to address this" (page 3-27).

"Outside of polluted airsheds ... for large-scale and industrial activities, best practicable option is determined on a case-by-case basis in the context of the receiving environment" (page 3-28).

Chapter 6 pCARP definitions

"Large-scale burning device ... has a net heat or energy output of 40kW or more" (page 6-15).

Chapter 10 Central policies

Policy 6.10. "Applying BPO to all discharging activities is key to reducing contaminant concentrations within polluted airsheds, and maximising the air resource outside of polluted airsheds ... for some activities BPO is determined through the rules ... BPO for industry is to be determined on a case-by-case basis" (pages 10-8 and 10-9).

Chapter 13 Industrial and large-scale discharges to air

"The pCARP is to require the best practicable option to be applied, relative to the receiving environment. This has not been fully realised in the proposed plan. As a result the key provisions ... do require some amendment" (page 13-1).

"Straterra have submitted a report that analyses costs of upgrading plant and equipment in Canterbury ... as a way forward Straterra suggest location-based assessment of mitigation needs with rules tailored to suit. This can be achieved through improvements to the policies without developing a more complex suit of rules" (page 13-2).

"Taylor Coal seeks amendment to the approach so that effects are managed through engineering solutions rather than on the basis of fuel type ... Better guidance around the application of BPO could assist in providing relief with regard to this submission ... it is appropriate to assess the discharge in the context of the receiving environment, and require commensurate mitigation (engineering solution)" (page 13-3).

" ... and Straterra seek inclusion of provisions to ensure that discharging activities currently operating as permitted activities will not require consent for at least five years after the air plan becomes operative. This matter is dealt with in section 20A of the RMA which provides that existing permitted activities can continue, if resource consent is applied for six months from the date the rule becomes operative, until the consent application has been determined ... given the timeframes impose by the NESAQ, it is appropriate that people responsible for discharges into air take action towards complying with the pCARP within six months of it becoming operative" (pages 13-4 and 13-5).

"It is recommended that Policy 6.20 be amended to provide clear guidance as to what is to be achieved in applying BPO in different receiving environments" (page 13-7).

"It is recommended that Policy 6.21 is amended to provide clear guidance as to what is to be achieved in applying BPO in different receiving environments and to refer to the NESAQ as well as Ambient Air Quality Guidelines" (page 13-8).

"It is recommended that Rule 7.17 is deleted and replaced with a new rule or rules that enable application of BPO as appropriate to the receiving environment, to implement the Objectives and policies of the Plan" (pages 13-8 and 13-9).

"It is recommended that Rule 7.18 is deleted and replaced with a new rule or rules that enable application of BPO as appropriate to the receiving environment, and in line with the Objectives of the Plan" (page 13-9).

"It is recommended that Rule 7.14 is deleted and replaced with a new rule as follows: '7.14 Any discharge of PM_{10} into air that would be likely, at any time, to increase the concentration of PM10 (calculated as a 24-hour mean) by more than 2.5 micrograms/m3 in any part of a polluted airshed other than the site on which the discharge occurs, is a restricted discretionary activity provided the following condition is met: 100% of the discharge will be offset within the polluted airshed in accordance with Regulation 17 ... " (pages 13-11 and 13-12).