



PIKE RIVER COAL

19 December 2008

Ministry for the Environment
PO Box 10 362
Wellington 6143
New Zealand
Attention: Janet Humphris

Dear Janet

SUBMISSION ON THE DRAFT SEIP REGULATIONS OF THE ETS

Pike River Coal Limited (Pike River) understands that the Ministry for the Environment is continuing the current consultation process on the Draft Regulations of the Stationary Energy and Industrial Processes Regulations of the Emissions Trading Scheme (ETS). Pike River makes this submission on those Regulations.

Pike River believes very strongly that fugitive gas emissions from coal mines should not be included in the ETS. New Zealand is the only country in the world which proposes to do that. Because all Pike River coal is exported, we cannot pass the cost onto consumers. This is unacceptable as it would lift our total production costs and thus reduce funding available for future mining operations in this country. It would place New Zealand coal exporters at a distinct competitive disadvantage compared to all their overseas competitors. And this is counter-productive given that Pike River coal is one of the more efficient coals in the world for making coke, used in steel-making, due mainly to its extremely low ash levels. A copy of our submission to the Minister Responsible for Climate Changes Issues is attached.

FUGITIVE EMISSION FACTOR

Pike River reiterates its opposition to fugitive gas emissions being included in the ETS.

The Pike River coal deposit has a low methane gas content, as methane has drained naturally from the dipping coal seam where it is exposed along its entire western side (an escarpment) over millennia. The average emission factor of the Pike River deposit has been estimated by Coal Research Limited to be 0.08 tCO₂-e/t, which is about half the lowest total post-mining emission factor in the Regulations.

However, in the event that such emissions are unwisely included in an ETS and Pike River is unable to secure a unique emission factor by the first year of liability, Pike River submits as follows:

the post-mining emission factor is based on very broad estimates which are likely to provide materially incorrect results and potentially add substantial unjustified cost to coal producers.

The post-mining fugitive emission factor is not explicitly stated in the Regulations. Making the assumption that the Government has calculated the mining emission factor as an accurate portrayal of the latest (2006) guidelines of the IPCC – as stated in the Emissions Trading Bulletin No.8¹ – Pike River has assumed that the New Zealand Government’s assessment of the post-mining emission factor is that given in Table 1.

Table 1. Calculation of inherent post-mining emission factor (tCO₂-e/t)

Scenario	Draft Regulations (incl. post-mining)	IPCC (excl. post-mining)	Inherent Regulations post-mining
Low	0.1759	0.1407	0.03520
Average	0.2884	0.25326	0.03514
High	0.3869	0.35175	0.03515

The IPCC suggests a range for post-mining emission factors – as done with mining emission factors – for low, average, and high scenarios. The low factor is 0.012663 tCO₂-e/t; the average is 0.035175 tCO₂-e/t; and the high factor is 0.05628 tCO₂-e/t. Therefore, it appears that the Regulations apply the IPCC average post-mining emission factor to all three scenarios.

Pike River believes that the broad application of the ‘average’ factor is inconsistent and not international best practice. Each coal mine should be able to select which of the three mining emission factors and which of the three post mining emission factors are to apply based on the mines specific characteristics. This would make nine different emission factors available for use for the overall emissions from mining plus post-mining, as shown in Table 2.

Pike River also suggests that the emission factors are rounded to two significant figures, because the IPCC data that the Regulations are based on are published to two significant figures.

Alternatively to nine emission factors, the Regulations could apply the low post-mining emission factor to the low mining emission factor; the average to the average; and the high to the high. This would be appropriate because the most important factor in determining the level of post-mining emissions is the in-situ gas content of the coal, which is highly correlated to the depth of the coal seam. Thus the range of post-mining emission factors would be selected in the same way as is proposed for the mining emission factors: by coal seam depth.

Table 2. Pike River’s preferred underground coal mining fugitive emission factors (tCO₂-e/t)

Mining Scenario	Post-mining Scenario	Mining Emission factor	Post-mining Emission factor	Total Emission factor
Low	Low	0.1407	0.012663	0.15
Low	Average	0.1407	0.035175	0.18
Low	High	0.1407	0.05628	0.20
Average	Low	0.25326	0.012663	0.27
Average	Average	0.25326	0.035175	0.29
Average	High	0.25326	0.05628	0.31
High	Low	0.35175	0.012663	0.36

¹ Available online at <http://www.mfe.govt.nz/publications/climate/#emissions>

Mining Scenario	Post-mining Scenario	Mining Emission factor	Post-mining Emission factor	Total Emission factor
High	Average	0.35175	0.035175	0.39
High	High	0.35175	0.05628	0.41

Pike River is happy to discuss the issue with the Ministry further if required.

Yours faithfully

A handwritten signature in blue ink, appearing to read 'Gordon Ward', with a large, sweeping initial 'G'.

Gordon Ward
Chief Executive Officer

Attachment: Letter to Hon N Smith dated 8 December 2008