



meridian

13 July 2009

Katherine Wilson
Emissions Trading Group
Ministry for the Environment

Dear Katherine

Subject: Draft Climate Change (Stationary Energy and Industrial Processes) Regulations 2009

Meridian welcomes the opportunity to provide feedback on the draft SEIP regulations.

Meridian operates a business unit, Energy for Industry, which specialises in developing and supplying on-site energy solutions. Some of these operations will be affected directly by the obligations created by the Emissions Trading Scheme. It is from this perspective that Meridian makes this submission. The submission focuses on issues related to the combustion of solid biofuels, specifically wood, wood waste and other waste streams exclusive of used oil, waste oil and used tyres.

Threshold for Mandatory Participation in the ETS

Under the proposed ETS, as it is now written, any importer, miner or extractor of coal at greater than 2,000 tonnes per year will become a mandatory participant in the ETS. Similarly, any importer, miner or extractor of natural gas at greater than 10,000 litres per year will become a mandatory participant in the ETS. Along similar lines, consideration needs to be given to a possible threshold for mandatory participation of parties involved in the combustion of solid biofuels and other biologically derived forms of waste for the production of energy or industrial heat or steam. Our view on this is that the combustion of solid biofuels (wood and wood waste) at any quantity is an activity that should be exempt from mandatory participation in the ETS by Order of Council.

In considering Part 4, and in particular Section 60(3), of the Climate Change Response Act 2002 several important principles are apparent in respect of making such an order exempting covered activities, specifically:

- the desirability of maintaining the environmental integrity of the ETS; and
- the desirability that compliance and administrative costs are minimised.

We believe that an order to exempt the combustion of solid biofuels (wood and wood waste) from mandatory participation would align with these principles for two reasons.

First, the combustion of solid biofuels for the production of energy, heat or steam has very positive environmental attributes. If this material was left to decompose naturally it would more than likely release quantities of N₂O and CH₄ in excess of those released as a result of incomplete combustion in an industrial boiler, and without the substantial benefit of producing energy that will displace CO₂ emissions from the combustion of fossil fuels.

Second, the use of solid biofuels for energy production is not yet a well established industry in New Zealand and needs to be encouraged, specifically to lower overall emissions through the displacement of fossil fuels. Mandatory participation in an ETS will add unnecessary compliance and administrative costs to this emerging energy sector through the requirement to report emissions and purchase and surrender units. This is particularly relevant given that in New Zealand there are presently no complementary measures in place for encouraging the use of solid biofuels as an energy source,

Meridian Energy Limited

Level 1, 33 Customhouse Quay
PO Box 10-840
Wellington 6143, New Zealand

Phone +64-4 381 1200
Fax +64-4 381 1272
www.meridianenergy.co.nz

whereas in many other jurisdictions solid biofuel energy is encouraged through a range of mechanisms including mandatory renewable energy targets, and the origination of emission reduction credits.

We submit that the rationale for the exemption we propose applies equally to any combustible wastes of biological origin such as paper and green waste diverted from landfill, biosolids, and other process waste sludges.

If, our comments above notwithstanding, a threshold for mandatory participation is to be implemented, then we submit that this threshold should be set at a high level at this time. We suggest that any such threshold be expressed in tCO₂e and that a provisional threshold of around 5000tCO₂e per site be the minimum figure.

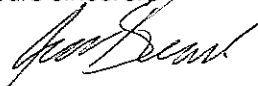
We note that if a threshold is applied rather than an exemption, then decisions about threshold levels will be complex and entail additional decisions about the point of obligation at which the threshold applies. For example, in the case of solid biofuels, a point of obligation will need to be chosen from multiple options including the producer of the fuel, the aggregator of the fuel, or the party combusting the fuel. Meridian submits that the principles of environmental integrity and minimising administrative costs should guide such decisions.

Definition of "Purity" of Solid Biomass

Meridian acknowledges that in practice it is likely that solid biomass combusted by participants in the scheme may include some fossil fuel material. We suggest that it is necessary for the Regulations to address this. We suggest it is appropriate to introduce a requirement for participants seeking to have their feedstock treated as biomass under the Act (whether for purposes of an exemption, or for application of the biomass emission factors in Part 6 of Schedule 2) to demonstrate that they are producing, aggregating or combusting "pure" biomass not substantially contaminated by fossil fuels (or, in the case of operators, not substantially co-fired by fossil fuels). As a starting point, we suggest that the definition of "purity" be that a biofuel feedstock that contains on average less than 90% non-renewable fuel on a dry ash free basis. We believe this definition could apply to other waste streams as well, such as sludge and materials with plastic contamination

We welcome your consideration of our submission. Given that the subject of this submission relates to technically complex, untested issues, Meridian requests an opportunity for further discussion with relevant officials regarding the points and related issues we have raised.

Yours sincerely



Anna Broadhurst
Manager, Climate Change
Meridian Energy Ltd

Anna.Broadhurst@meridianenergy.co.nz

Tel: 04 3827413

Mob: 021 756393