

The Petroleum Exploration & Production Association of NZ

15 December 2008

Ministry for the Environment
PO Box 10362
Wellington

Dear Sir

Submission – Stationery Energy and Industrial Process Regulations

Thank you for the opportunity to make comments on the draft regulations.

Definition of Terms

1. There seem to be a problem with the terms *unprocessed gas*, *flared gas*, *fuel gas*, *processed gas* and *specification gas*. They are used in ways which is not consistent with industry usage. We suggest that the regulations define these terms to assist interpretation of the regulations. The regulations define specification gas in accordance with NZS 5442:1999. This Standard was altered in 2008 and the latest version (NZS 5442:2008) should be referred to, even though the gas specification itself was not altered.

Second Schedule Emissions Factors

2. We have some doubts about the accuracy of the emissions factors listed in the Second Schedule to the regulations. We recommend that you get an analysis and measurement of the emissions factors for unprocessed gas, flared gas, fuel gas, processed gas and specification gas for each field.
3. These factors make a significant difference to the liability any company will be faced with. Officials have assumed an emissions factor 35% higher for unprocessed gas than for specification gas. This is an arbitrary figure and assumes that gas processing reduces the carbon content of gas.
4. Most gas processing facilities separate gaseous components from liquids components. Once gaseous components have been separated there is almost no processing done at the facilities that most companies operate. Only Maui has further processing to extract LPG from the gaseous stream. Both Kapuni and Pohokura send the gas to their respective customers without further processing, however when you look at the emission factors for each field there is a significant difference between the emission factors for un-processed gas versus processed/specification gas.
5. The regulations assume that all fields (other than Kapuni) have the same emission factor for un-processed gas. This is clearly not the case - Maui has approx 3% CO₂ while Pohokura is approx 7% CO₂. We submit that MED obtain information on field CO₂ content, since each field has a unique emission factor.

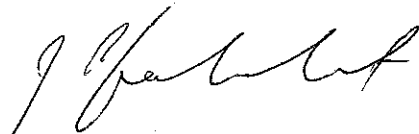
6. It would be our advice that MED ensure specific emission factors are used for each field, based on an analysis of the gas.

Review of Emissions Factors

7. We also recommend that the emission factors are measured at least annually or perhaps every second year. There should be a mechanism for getting a change in the emission factor recorded and accepted. There should be some ability to change the emission factor as gas composition changes over field life.
8. There is a question over how the emission factors for NZ Specification (NZS 5442:2008) gas should be treated. The regulations assume one average factor, yet no single field in NZ actually meets the NZ specification precisely. All gas delivered into the system must meet the minimum standard, but some fields clear this standard by a large factor, others only just meet the specification.
9. This means there is a significant over and under situation in the calculations. However there may be problems if we have field specific values at this point as the Opt-In customers would then have to use the field specific factors. However as the majority of gas sales are field specific, then having field specific NZ specification factors is a workable solution.
10. We have a concern over the opt-in mechanism being voluntary. If a customer takes more than 2PJ/year then they must opt-in, otherwise the mining companies will just be passing on the cost of acquiring CO2 units that need to be surrendered at the end of each year.

I trust that these comments are of assistance.

Sincerely



John Pfahlert
Executive Officer