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19 May 2021

Cassidy McLean-House,  
Ministry for the Environment,  
PO Box 10362,  
Wellington 6143

Dear Madam,

**Submission on the “Phasing out fossil fuels in process heat: national direction on industrial greenhouse gas emissions” Consultation Document**

Thank you for the opportunity to make a submission on the “Phasing out fossil fuels in process heat: national direction on industrial greenhouse gas emissions” Consultation Document.

Please find the West Coast Regional Council’s submission attached. This Council has several concerns about the Consultation Document and requests changes.

Our contact details for service are:

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We would be grateful for acknowledgement of receipt of our submission.

Yours faithfully

**Hadley Mills**  
Planning, Science and Innovation Manager

## **West Coast Regional Council Submission on Phasing Out Fossil Fuels in Process Heat**

### **Introduction**

The West Coast Regional Council (WCRC or Council) agrees with the intent to respond to climate change; but has several concerns about the approach proposed in the Consultation Document.

**The real issue is how to supply the West Coast with affordable electricity.**

Our key concerns with respect to the Consultation Document are as follows:

1. Inconsistency with the advice of He Pou a Rangi (the Climate Change Commission), by failing to recognise regional price and distribution disparities, and by failing to provide for a just transition and due process;
2. Some proposals go beyond the remit of legislative consistency;
3. Failure to consider the impacts on social, economic, and cultural well-being of local communities; and
4. Unrealistically tight timeframes leading to by-passing critical decision-making processes, such as social and economic impact analysis and integrated management.

### **About the Submitter**

The West Coast region covers a vast area: it extends from Kahurangi Point in the north and as far south as Awarua Point, a distance of 600 kilometres. It is also a region of minimal industrial greenhouse gas (GHG) emitters. It has a low population and is predominantly rural. 84% of land area is in the Conservation Estate.

The Regional Council also works closely with the regions' three territorial authorities (these being Buller District Council, Grey District Council and Westland District Council). Outside of the main towns of Westport, Greymouth and Hokitika, the region's population is spread across smaller settlements and rural communities. It is important that resource decisions also consider their respective social, economic, and cultural interests.

Poutini Ngāi Tahu are the tangata whenua of Te Tai o Poutini (the West Coast). And our Mana Whakahono ā Rohe (Resource Management Act - Iwi Participation Arrangement) captures the intent of the Council and Poutini Ngāi Tahu to progress their relationship in accordance with the Treaty of Waitangi partnership between iwi and the Crown.

### **The WCRC supports an extensive just transition**

The Council recognises the importance of the issues at hand. We have several concerns, and changes are required if the purpose and principles of the RMA, and RMA Reforms, are to be achieved.

## Key Issues Raised by this Submission

### 1. Just transition and Due Process

We are concerned about inconsistencies between the Consultation Document and advice given by the Climate Change Commission in January 2021. According to the Climate Change Commission, “Priority areas for action include increasing the number of electric vehicles on our roads, increasing our total renewable energy, improving farm practices and planting more native trees to provide a long term carbon sink...”<sup>1</sup>

Whereas the Consultation Document takes as its starting point that “one of the biggest opportunities to reduce Co2 emissions in Aotearoa is through the decarbonisation of process heat”. The position stated in the Consultation Document thereby contradicts the position of the Climate Change Commission.

Further, the Consultation Document gives no consideration to ‘priority areas for action’, such as, reducing the largest sources of Co2 emissions; or halting imports of products produced by process heat. (As to the largest emissions sources, New Zealand claims that more than 70% of GHG emissions come from other sectors: 47.8% are reported to come from agriculture, and 21.1% from transport).<sup>2</sup> Hence, the Climate Change Commission’s focus on these areas as “priority areas for action”.

8.1% of New Zealand’s GHG emissions are reported to come from manufacturing industries and construction, of which coal-fired boilers are but a part.<sup>3</sup> The actual numbers related to process heat have not been disclosed and New Zealand’s estimate of mitigation impact in 2020 (kt Co2 eq) were “not estimated” in its 2020 international reporting.<sup>4</sup> Similarly, in its Consultation Document, the Ministry for the Environment (MfE) provides that “process heat currently contributes about 8% of New Zealand’s total greenhouse gas emissions,” and process heat “includes combustion of fuels such as coal and gas for electricity generation and industrial heat; fugitive emissions, for example, from gas production and geothermal fields; and industrial processes”. But then the Consultation Document alludes to excluding 39 percent of process heat requirements covered by high temperature plants (>300°C) and proposes to target “48 percent of total heat process emissions covered by low and medium temperature plants”. By taking its GHG emission reductions target from 8% to 3.8%, the GHG emission reduction target is in effect halved.

This analysis supports our point that disproportionately targeting coal-fired boilers right now does not therefore present a “significant” national opportunity for GHG emission reductions.

Consistent with direction taken by the Climate Change Commission, analysis may also be done with respect to emissions budgets.

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<sup>1</sup> He Pou a Rangī; Climate Change Commission: 2021 Draft Advice for Consultation; 31 January 2021; page 11.

<sup>2</sup> GHG emission data: New Zealand’s 2020 annual submission, version 1 to the UNFCCC, FCCC/TRR.4/NZL.

<sup>3</sup> Ibid.

<sup>4</sup> Ibid.

With respect to GHG emission budgets, the MfE states in its Consultation Document that “the Ministry for the Environment’s preliminary modelling suggests that the emissions of industries covered by the proposals will reduce by 2.1 to 2.7 mega tonnes (MT) CO<sub>2</sub>-e by 2037, with emissions reductions attributable to the proposal estimated to be between 0.5 and 0.8 MT [500-800 kt CO<sub>2</sub>-eq], and the NZ ETS driving 0.3 to 0.4MT (assuming \$35/t)” [underlining for emphasis]. Whereas, last year (2020) New Zealand reported its most recent Total GHG emissions (kt CO<sub>2</sub>-eq), those for 2018 excluding LULUCF, as 78,862.29 (kt CO<sub>2</sub>-eq).<sup>5</sup> This represents a 0.634% GHG emissions reduction target.

This analysis reinforces our point that disproportionately targeting coal-fired boilers right now does not present a “significant” national opportunity for GHG emission reductions.

Further, using vast resources at national, regional, and local levels to chase a 0.634% GHG emissions reduction target that will have a disproportionate effect on the West Coast, on the basis that it is the “priority national target” must surely be questioned.

As the Climate Change Commission advised in January 2021, “The speed of this transition needs to be steady – fast enough to make a difference and build momentum but considered, with room to support people through the change. An equitable transition means making sure the benefits of climate action are shared across society, and that the costs of the climate transition do not fall unfairly on certain groups or people.”<sup>6</sup>

How this proposal to phase out fossil fuels in process heat relates to us is that we would have to decarbonise industry, schools, hospitals, and our recreation centres. In our view, such a response is disproportionate. It also fails to tackle the real issue. The real issue is how to supply New Zealand, including the West Coast, with affordable electricity.

Electricity costs are already disproportionately high on the West Coast and in the absence of any evidence of a ‘just transition’ this proposal will simply increase disparities. The Climate Change Commission reports that, “Household’s electricity bills vary from region to region, and even within regions. Different areas already face varying electricity prices. This reflects the cost of not only generating electricity, but also of transmitting and distributing it. Communities further away from where electricity is generated often pay higher electricity prices. For example, electricity pricing surveys show that households in Kerikeri and the West Coast pay more for electricity than the national average. There can be as much as a 50% variation between regions. Average household electricity demand varies across Aotearoa and depends on climatic conditions, personal choice about heating levels for example, and whether the household uses gas, electricity, or wood to heat their homes. For example, the average household electricity consumption is twice as much in Queenstown as in Westport.”<sup>7</sup>

An extensive transition period is required if there is to be a just transition to renewable energy on the West Coast. Out of 20 air discharge permits reviewed for boilers or incinerators on the West Coast, expiry dates run from 2022 to 2056 (14 have an expiry date of 2030 or later). These consent holders have a “legitimate expectation” that they will be able to continue to operate under the terms of their consent for the next 10-30 years without altering their operating procedures or changing technology or fuels.

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<sup>5</sup> GHG emission data: New Zealand’s 2020 annual submission, version 1 to the UNFCCC, FCCC/TRR.4/NZL; page 6.

<sup>6</sup> He Pou a Rangī; Climate Change Commission: 2021 Draft Advice for Consultation; 31 January 2021; page 11.

<sup>7</sup> He Pou a Rangī; Climate Change Commission: 2021 Draft Advice for Consultation; 31 January 2021; page 82-83.

The Consultation Document also states that “coal generation at the Huntly power station” will be “excluded from the current scope of national direction”. If proceeding, the West Coast requests a similar carve out consistent with fair and due process.

Another issue to think about in this regard is regional neutrality whereby the national mitigation plan, which would inform a NPS, which would in turn inform a NES, considers GHG emissions vis a vis sinks, such as those for LULUCF (Land Use Change and Forestry). Integrating wetland sinks into the ETS is also important.

Taking all the above into consideration, the WCRC’s preferred option is for a National Mitigation Plan on the same level as a National Adaptation Plan with supporting guidelines on giving effect to the RMA Amendment 2020; that commitments made to an extensive transition period where livelihoods and well-being are at stake are honoured; and that support is provided for consequential impacts on social, economic, and cultural well-being.

### **Recommendation 1**

Tackle the biggest opportunities to reduce Co2 emissions and do this through a just transition and due process incorporated within an integrated National Mitigation and National Adaptation plan.

### **Recommendation 2**

Consistent with sustainable management, and an equitable, inclusive, and well-planned climate transition, is that energy sources, such as cheap biomass, affordable hydro-electric power generation and potentially using degraded areas of the DOC estate for energy farms, should be developed on the West Coast as a matter of priority.

## **2. Legislative Consistency (Kaupapa, 1<sup>st</sup> principles, policies and measures govern rules – not the other way around)**

It would seem to the logical planner that a comprehensive plan for electricity supply, including national mitigation and adaptation plans, and PaM (Policies and Measures) are required before even thinking about a NPS and NES.

In our view, this approach would be consistent with the planning hierarchy set out by the Supreme Court in *King Salmon*.

How, for instance, does this entire consultation fit with the proposed public consultation on a “whole Emissions Reduction Plan (ERP)” scheduled for late 2021? Shouldn’t putting a line under coal fired boilers also be part of a “whole ERP”?

Moreover, there is already a NES for Air Quality (NESAQ) which sets standards for different types of contaminants discharged to air, and needs to be implemented anyway. The NESAQ is being amended to restrict the use of coal in domestic home heating burners. Consent staff refer to the NESAQ when processing a consent for a discharge to air. To be consistent with the RMA as amended in 2020, it would make sense for Councils to consider discharges to air of GHG emissions and climate change mitigation in planning and consenting decisions.

The WCRC was advised by MfE on 6 May 2021 that the Ministry is working on updating the NESAQ and has no target release date as yet as it is waiting for international guidelines. Similarly, we consider it premature to be drafting a NES for emissions to air for process heat.

Alternatively, and as an interim measure, MfE could help in the administration of the RMA Amendment 2020 by providing supporting guidelines that give effect to this “conditional”, i.e., non-mandatory, requirement. Suggesting objectives and policies to guide decision making would be a useful first step.

In this way, the Governments’ undertaking of a comprehensive review of the resource management system will provide opportunities for reducing emissions in an integrated way consistent with National Adaptation Planning.

### **Recommendation 3**

Correct the Consultation Document to ensure policy and legislative consistency.

### **3. Need to see policy around social, economic, and cultural impact**

The policy objectives of our proposal to support social, economic, and cultural impacts are consistent with the purpose of the RMA, which goes beyond the truncated definition in the Consultation Document to incorporate Part 2 of the RMA in its entirety. Section 5 of the RMA, for instance, is misquoted in the Consultation Document. Section 5 of the RMA provides:

“ 5 Purpose

- (1) *The purpose of this Act is to promote the sustainable management of natural and physical resources.*
- (2) *In this Act, sustainable management means managing the use, development, and protection of natural and physical resources in a way, or at a rate, which enables people and communities to provide for their social, economic, and cultural well-being and for their health and safety while—*
  - (a) *sustaining the potential of natural and physical resources (excluding minerals) to meet the reasonably foreseeable needs of future generations; and*
  - (b) *safeguarding the life-supporting capacity of air, water, soil, and ecosystems; and*
  - (c) *avoiding, remedying, or mitigating any adverse effects of activities on the environment.”*

In the view of the WCRC therefore, any policy shift must provide mechanisms for people and communities to provide for their social, economic, and cultural well-being and for their health and safety.

There is a need to see policy around social and economic impact before options can be properly evaluated; and alternative options must be found.

This option supports the development of non-statutory guidance on how to assess resource consent and plan change applications involving direct and indirect GHG emissions under the RMA in due consideration of a just transition. Guidance on the ‘best practicable’ option in consideration of a holistic view of Part 2 of the RMA (until the RMA is reformed) would be helpful.

### **Recommendation 4**

Provide policy around social, economic, and cultural impacts and social, economic, and cultural support mechanisms.

#### **4. Grave concern about the tight turnaround**

MfE has said it intends to implement decisions on regulating process heat by the end of the year; and that a NES would take immediate effect.

Added to this is the extensive and disparate environmental reform process going on in parallel, i.e., a new NPS for freshwater management; an imminent NPS for indigenous biodiversity; three waters reforms; a new NES for Drinking Water; local government reform; RMA reform; a Select Committee inquiry on an exposure draft of the NBA (Natural & Built Environments Act), public consultation on the Managed Retreat and Climate Change Adaptation Bill (at the end of 2021); public consultation on a “whole Emissions Reduction Plan (ERP)” in late 2021, and so on.

In our experience, this amount of national policy change is impossible to keep abreast of and integrate, particularly for a small planning team (from a capability and capacity point of view). It also appears that there simply are not enough appropriately qualified policy planners in New Zealand to implement the above-mentioned changes in a quality manner.

The WCRC urges a far more considered approach that incorporates a fair and just transition; and considers and supports social, economic, and cultural well-being.

#### **Recommendation 5**

Develop an integrated framework for environmental policy and law and set realistic timeframes by which to achieve it.

### **Summary List of Recommendations**

1. Provide for an extensive just transition.
2. Consistent with sustainable management, and an equitable, inclusive, and well-planned climate transition, is that energy sources, such as cheap biomass, affordable hydro-electric power generation and potentially using degraded areas of the DOC estate for energy farms, should be developed on the West Coast as a matter of priority.
3. Correct the Consultation Document to ensure policy and legislative consistency.
4. Leave no one behind. Provide policy around social, economic, and cultural impacts and social, economic, and cultural support mechanisms.
5. Develop an integrated framework for environmental policy and law and set realistic timeframes by which to achieve it. Akin to the Climate Change Commission, and ascertaining a hierarchy of legal obligations, we recommend a first principles (kaupapa) approach centred on developing and balancing national mitigation and national adaptation plans and policy before moving to a rules-based regulatory system.

This ends our submission.