



5 November 2009

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Dear Katherine

Thank you for the opportunity to have input into the consultation on a participation threshold for the activity of combusting solid biofuel for the purpose of generating electricity or industrial heat.

This submission has been prepared by the Forest Owners Association, on behalf of the New Zealand forest industry. The industry welcomes this opportunity to make submissions and remains interested and willing to engage in further discussion as appropriate.

Introduction

The NZ Forest Owners' Association (FOA) is a voluntary organisation representing the interests of commercial forest growers, facilitating cooperation and coordination within the forest industry. FOA member companies collectively manage around 1.4 million ha of rural land, 80% of which is planted in plantation trees. Total harvest for the June 2008 year was just over 19 million m³, with the capability to increase to around 30 million m³ pa in the near future if market conditions and competitive domestic operating environment allow.

Overview

The Emissions Trading Bulletin No 10, June 2009 which provides a commentary for the draft regulations, states that CO₂ emissions from combusting biomass are not counted in these regulations as they are effectively covered under the forestry regulations. However N₂O and CH₄ emissions generated in the combustion process are still liable.

The Forest Owners Association view is that the combustion of solid biofuel should not incur any emissions liability, or the threshold should be set at a level to allow projects giving substantial greenhouse gas benefits, to not be affected.

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Threshold Level

It is unclear what the basis is for setting the "threshold level" at 5,000 t (CO₂ e). Methane and Nitrous oxide emissions from the combustion of solid biomass make up a minimal percentage of New Zealand's gross emissions. Official MED figures indicate it to be 0.3% of energy emissions and 0.13% of total emissions. The threshold will only apply to a fraction of the energy emissions total – therefore likely to be significantly less than 0.1%. The negative message sent to potential large energy providers, the extra complexity from yet another arbitrary level in the emissions regulations, and the cost of measurement make the setting of the level at 5,000 t (CO₂(e) questionable.

Having a set threshold limit opens the temptation to gaming and perverse incentives to set plant size. Options for gaming could include the construction of multiple plants, each just under the threshold limit.

Perverse incentives include plants being sized because of the threshold limit rather than fuel or energy drivers, or fuel mixes being manipulated (moisture contents) to meet threshold constraints. Theoretically, a user of biofuel may be motivated to manage annual biofuel use to below a nominal threshold by increased use of fossil fuel or divestment of energy generation plant and equipment.

With woodfuel, as you don't count the CO₂ produced - just the N₂O and the CH₄, with MfE's look-up tables 5,000 t of CO₂(e) comes up with 3,385 TJ of woodfuel energy or about 178,000 tonnes of oven dry wood. This indicates the threshold will affect possibly two existing plants and proposed plants of over 30Mw. However, some of the most significant options for reducing greenhouse gas production may involve firing or co-firing, existing thermal power stations on solid biofuel. (Huntly has four 250 MW units, and Marsden B is currently unutilised). Fuelling or co-fuelling any of these units on biofuel could have significant impact on New Zealand's greenhouse gas production. However, economically they do not need an additional hurdle to get over. It is precisely these large initiatives that offer the greatest economies and greenhouse gas savings.

The overall merit of fuelling such plants on biomass should be encouraged and facilitated.

The cost of measurement of gas production could be substantial. Gas production is likely to need to be measured directly as fuel characteristics (such as moisture content) and plant configuration mean that a simple estimation of gas production from fuel consumption is likely to be highly inaccurate.

Recommendation:

The Forest Owners Association submit that either the bill be amended to exclude emissions from the combustion of solid biomass, or the threshold be set just above the 250 MW limit.

Yours sincerely



Glen Mackie
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