

5. Emission Offsets and Trading

In order to comply with Policy 1 of the Marsden Point Air Quality Strategy, resource consent applications will need to be carefully managed in circumstances where the CALPUFF Modelling Tool predicts the cumulative impacts to be above relevant guidelines and standards. It may be necessary to reduce emissions from existing sources before a new entrant can obtain a resource consent to discharge.

This section discusses potential approaches for managing consents to allow for reallocation of the discharge rights.

5.1 Load Based Licensing

Load based licensing is where dischargers are charged an annual fee based on their total emission; and/or the fees for the licence application have a component related to the pollutant load sought. A number of Australian states have load based licensing systems that aim to provide economic incentives to reduce discharges. In Victoria for example, the maximum annual licence fees for the emissions component are \$AU350 000.

The NRC's resource consent application fees are based on administration costs only. Monitoring charges are set annually but also cover staff time only rather than a fee relating to the load discharged.

The challenges with setting a load-based licensing fee are developing a fair system that provides a suitable realistic cost incentive, and that also avoids an unnecessarily complex calculation procedure. Whatever the case, it is considered that load-based fees are not a necessary prerequisite for effective airshed management or potential emissions trading. Consequently, this option is not being pursued at this stage.

5.2 Tradeable Permits

An environment could be provided where emissions can be directly traded between an existing user and a new user. Overseas studies indicate a tradable emission permit system generally requires a competitive market and a situation where the capacity of the air resource is almost fully allocated (Queensland EPA, 1999). The latter condition is probably met at Marsden Point (albeit in a small sub-part of the area) but there may be insufficient sources currently in the Marsden Point area to establish an efficient trading scheme. Currently, for sulphur dioxide, the airshed is dominated by the refinery.

In some cases, future proposals to discharge to air will only be able to establish in the area if emissions from existing sources are reduced, i.e. the application will need to obtain the discharge right from an existing discharger. At this stage the NRC will encourage an informal emission-trading regime where a new entrant will need to negotiate with an existing discharger to obtain an offset that would allow them to operate in the airshed. Therefore trading will be by private agreement between the dischargers.

The Resource Management Amendment Act 2005 allows for transferring consents if provided for in a regional plan. Resource consents are able to be transferred in whole or in part to another user and/or location. Transfers may be for a limited time or for the remaining time of the permit.

The Amendment Act states a regional plan may allow a transfer or a consent authority may allow a transfer if:

- The transfer does not worsen the actual or potential effect of any discharges on the environment; and
- The transfer does not result in any discharges that contravene a national environmental standard; and
- If the discharge is to air and a national environmental standard applies to a discharge to air, both sites are in the same airshed as defined in the standard.

An application must be considered as if the application for a transfer were an application for a resource consent and the holder were an applicant for a resource consent.

The transfer has no effect until the consent authority that granted the permit receives written notice of it. On receipt of the written notice the, transfer is made and the old permit or part of the permit is cancelled. The new interest or the part transferred becomes a new permit with the same conditions as the original permit.

It is recommended that the RAQP can be changed to allow the transfer of air discharge permits within the Marsden area, in accordance with the new provisions of the Resource Management Amendment Act 2005.

In the interim a transfer could effectively be achieved by a consent holder applying to change any consent condition limiting the emission rate, thus making the allocation available to another user as discussed above.