



Report 08.375  
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Committee Parks, Forests and Utilities  
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Water Supply, Parks and Forests

## **Divisional report for period ended 31 May 2008**

### **1. Divisional Performance**

#### **1.1 Parks**

Just after the end of the period, in the first week of June, Arbor Day plantings were held at Queen Elizabeth Park and Battle Hill Farm Forest Park. Over 100 school children attended each of the events and planted about 1,000 trees, shrubs and grasses at each park.

A separate report sets up the process for hearing the various submissions resulting from consultation about Parks' issues that will occur over the period of the triennium. In the past there has been a tendency for a subcommittee to process all submissions. However, this time, for expediency, it is suggested that when only a small number of submitters wish to be heard the process is undertaken as part of a normal Committee meeting.

A separate report concerns the concessions policy for the parks and forests areas. This is now being styled as guidelines, as opposed to strict policy approach, to enable us to adapt to circumstances that might arise but have not formally been signed off by the Council.

#### **1.2 Marketing and Design**

The opportunity to obtain additional revenue from the leasing of advertising space on buildings is being investigated. Also, we have recently entered into a contract to lease space in a communications duct between Thorndon and Petone for a second fibre optic cable. This additional revenue supports the water levy revenue obtained from the four city customers.

In the Marketing and Design Manager's report there is comment about educational resources for water treatment plants and various Parks' brochures. This is part of our commitment to promoting the facilities.

With regard to the Parks' brochures, traditionally they have related to

individual parks, forest areas and the Hutt River Trail. More recently the market has been segmented by activity and the first brochure of this type was for cyclists. We are about to produce an accessible places' brochure and it is likely that other brochures of this type will follow.

### **1.3 Forestry**

While the target for the metro forests remains at 70,000 tonnes for the year, we have slipped slightly below this on a pro rata basis.

The Wairarapa crew has now returned to the Wairarapa, as the payment issue for the Wairarapa logs has been resolved.

We are cautiously predicting that prices may have bottomed out and hopefully they will now start rising.

### **1.4 Water Supply**

Work on the new water source development is continuing, with the four city customers being invited to comment on the shorter-term solutions and the Whakatikei River as the preferred dam site at such time as a dam is required. Our customers have indicated that it will take two to three months before they are able to respond.

In the meantime the preliminary work for construction of a Wellington City reservoir and obtaining resource consents for a reduced flow at Kaitoke weir are continuing. This is to ensure that we are ready to proceed with these projects if they find favour with our customers.

Unfortunately Lake 1 at Te Marua is likely to remain empty for a while, as we are having difficulty finding a suitable material for a construction joint at the base of the tower.

The number of animals culled during the balloted hunt for the Wainuiomata and Orongorongo Catchments continue to decrease each year. A separate report considers the managed public access to these catchments and also makes comment on the future of the "Roar".

## **2. Carbon trading**

### **2.1 Background**

The Government has introduced a number of legislative changes to give effect to its Emissions Trading Scheme. Unfortunately some of these changes are not yet sufficiently advanced to allow any meaningful assessment of their effects on Greater Wellington Regional Council (GWRC), particularly as they provide for regulations.

At present we believe Government's intention to be:

## 2.2 Emissions Trading Scheme legislation before Select Committee

Forests are divided into “pre-1990” forests and “post-1989” forests.

### *“Pre-1990” forests*

“Pre-1990” forests make up the greater part of GWRC’s estate - 3,902 hectares of 5,375 hectares. These forests are subject to this legislation, earn tradable credits at the rate of 39 tradable credits per hectare as a “one-off” grant but also incur liabilities if they are not replanted at harvest. No measuring regime is required.

### *“Post-1989” forests*

In the case of the “post-1989” forests (1,472 hectares), entry into the scheme is voluntary and credits/liabilities are based on the assessed changes of carbon sequestered each year. Liabilities cannot exceed the credits previously received and no liabilities arise if the forest remains outside the scheme. Note that the emission liabilities are capped by weight, i.e., tonnes of carbon, not price. Therefore, there could well be a cash penalty in purchasing carbon credits at harvest or deforest time.

### *Indigenous forest*

“Pre-1990” indigenous forest is not yet part of the scheme and this is being considered by Government. There are draft tables circulating that suggest an allowance of 3 tonnes of carbon per hectare for these areas.

### *Permanent forest sink*

Kyoto compliant land not in forestry as at 31 December 1989 may be planted in indigenous trees, provided they will meet set minimum criteria as to crown cover and height. These have a nominal life of 99 years and include restrictions and special requirements for harvesting (continuous forestry cover). These forests may participate in the Emissions Trading Scheme.

### *Grey market “verified emission reductions”*

“Post-89” forests have been sequestering carbon since planting and, as only carbon sequestered from the commencement of the Emissions Trading Scheme (2008) will be eligible for emission units, this previous sequestration is currently outside the scheme. The carbon in this period is eligible to be sold on the “grey market” as “verified emission reductions”.

We have been approached by a company offering to quantify and market, for a commission, 2008 unaccredited verified emission reductions. They have commissioned a legal opinion, which confirms that participation in this market would not result in any ongoing obligations, nor would it reduce the options available under the legislation. These are purchased by companies seeking to “balance” their corporate carbon footprint. It is suggested that the “value” of these verified emission reductions fall rapidly towards the end of the year, as most major players in the market seek to obtain their requirements early in the year rather than later.

At this stage it is felt that it is too late to participate in this market in the current year. However, this decision could be reviewed should the introduction of the legislation be delayed.

#### *Comment*

Several informal approaches have been received about assisting GWRC with carbon trading. Some of these were regarded as opportunistic, while others appear to be more business like. Apart from the grey market mentioned in the last section, which will be investigated further, it is not proposed to take any other action until the emissions trading legislation is passed.

### **3. Energy usage**

Water Supply uses in excess of 95 percent of the electrical energy purchased by GWRC. Although the Government has indicated that in its view there is not yet a power crisis, it has called for unspecified savings in electrical energy usage. There were previous shortages in 2001 and 2003. In 2001 there was a call for a 10 percent reduction in energy usage, with 15 percent from Government Departments and local authorities. One of the ways of saving electrical energy is to put a very high energy price in our system optimiser. This then directs water to be produced from lower electrical energy use water treatment plants but it does increase our chemical usage. In 2001 it was estimated that we could save 22 percent of our power usage by doing this but the additional cost was \$24,000 a month. The customers were consulted before we made this change. There was also the possibility of using diesel generators but this was not approved at the time, as the cost was approximately \$150,000 per month. Given the increase in diesel prices since 2001, a cost in the order of \$250,000 a month is more likely with current diesel prices.

It is suggested that we should not change our operations until such time as the Government calls for a specific saving in electricity use. However, staff will be prudent in turning out lights and undertaking other conservation measures.

### **4. Puketiro wind farm**

The Pauatahanui Futures Society Incorporated has instigated a High Court review against aspects of the Puketiro wind farm that concern the Battle Hill Farm Forest Park. Information about this has previously been sent to all Councillors. Information released by the Pauatahanui Futures Society Incorporated indicates that the Society has 41 members.

GWRC's legal advisors have indicated the Council's legal costs will be in the order of \$150,000 to \$200,000. An amount of \$100,000 will be rebudgeted from the current financial year. The remainder will be an unbudgeted cost in 2008/09.

A date for a Hearing has not yet been set but is likely to be in September or October.

## 5. Financial Performance as at 31 May 2008

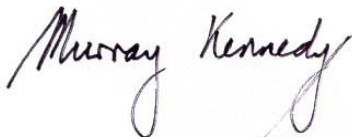
Last Year to Date \$000s		Year to Date Actual \$000s	Year to Date Budget \$000s	Year End Forecast \$000s	Year End Budget \$000s
<b>Water Supply</b>					
24,851	Income	24,808	24,964	27,225	27,234
24,915	Expenditure	23,903	26,777	26,443	29,166
<b>(64)</b>	<b>Operating Surplus (Deficit)</b>	<b>905</b>	<b>(1,813)</b>	<b>782</b>	<b>(1,932)</b>
<b>Plantation Forestry</b>					
300	Operations	1,065	--	1,156	--
1,457	Strategy and Asset	1,560	--	1,523	--
(1,861)	Support	(1,804)	(1,821)	(1,954)	(1,941)
8	Engineering Consultancy	57	8	29	9
32	Laboratory Services	27	--	28	--
<b>(64)</b>	<b>Operating Surplus (Deficit)</b>	<b>905</b>	<b>(1,813)</b>	<b>782</b>	<b>(1,932)</b>
<b>Reserve Forests</b>					
4,523	Income	4,327	4,766	6,846	7,338
5,312	Expenditure	5,778	5,896	6,331	6,433
<b>(789)</b>	<b>Operating Surplus (Deficit)</b>	<b>(1,451)</b>	<b>(1,130)</b>	<b>515</b>	<b>905</b>
<b>Parks</b>					
852	Income	636	1,083	1,664	2,072
1,668	Expenditure	1,689	1,810	1,763	1,975
<b>(816)</b>	<b>Operating Surplus (Deficit)</b>	<b>(1,053)</b>	<b>(727)</b>	<b>(99)</b>	<b>97</b>
<b>Reserve Forests</b>					
6,011	Income	5,969	6,003	6,383	6,548
5,384	Expenditure	5,590	5,973	6,517	6,869
<b>627</b>	<b>Operating Surplus (Deficit)</b>	<b>379</b>	<b>30</b>	<b>(134)</b>	<b>(321)</b>

## 6. Recommendations

*That the Committee:*

1. **Receives the report.**
2. **Notes the content of the report.**

Report prepared by:



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**Attachment 1: Parks', Marketing and Design, Forestry, Water Supply, and Engineering Services' reports for period ending 31 May 2008**