

Petition: Officers' Response

Title: Decline the "right of renewal" on contract between Nova Gas and WCC on our Southern Landfill

Primary Petitioner: Maria van der Meel

Total Signatures: 7 (via ePetition)

Presented by: Maria van der Meel

Contact officer: Stavros Michael – Manager City Networks

Director responsible: Derek Fry – Chief Operating Officer

Officers' recommendation:

Officers recommend that the Committee:

1. *Receive the petition.*

Officers' response:

By 1993 the Council was becoming aware that the methane gas produced by the Southern Landfill would need to be collected and destroyed in order to reduce adverse effects on the environment and to minimise future regulatory liabilities. At the time the Council explored options of partnering with third parties with the capability to manage these liabilities and help derive value from the gas destruction and the heat it produced. On 5 June 1993 expressions of interest were sought by way of public notices and these were evaluated by the then General Manager of the City Works Division.

A Deed was formed with the preferred offer (Nova Gas Ltd - Nova) in 1995. This Deed was later amended in 2003. Under the Deed, Nova and Council pursued a shared cost model for the installation of a gas capture and extraction system. Nova was responsible for costs associated with the supply and installation of all main gas pipes (including gas collection mains and gas and leachate pipes), removable plant and equipment, while Council retained some responsibility for the surrounding drainage material and the installation of the lateral gas and leachate collection pipes. Nova bears the cost of treating and converting the gas after it has been collected. Under this arrangement Nova paid the Council an annual fee to offset some of the landfill costs and the arrangement was subject to a 20 + 20 year right of renewal (subject to compliance conditions being met).

In 2008 Nova installed an electrical generation plant at the Landfill. The plant uses extracted landfill gas as a fuel source for an internal combustion engine which in turn provides the motive power for an electrical generator, powering up to 1000 homes. The gas collection system was upgraded at the time to comprise a series of linked horizontal and vertical gas collection wells which are now sunk throughout the area known as Stage 2 of the landfill facility. Stage 2 is capped with a membrane designed to prevent the escape of odorous and environmentally harmful landfill gases.

Active landfill Stage 3 is progressively being fitted with similar gas collection wells to extract landfill gas as early as practicable in the landfill filling sequence. In March 2009 a new Deed between Council and Nova was agreed to reflect and recognise the introduction of the electrical generation plant and the stage of the active Stage 3.

The deed included new fees to be paid to the Council to continue covering the Council's portion of installation costs and was based on a similar 20 + 20 year right of renewal, again subject to compliance conditions. The 2009 Deed remains in place without amendment, with the first right of renewal at 9 March 2029.

This operating model protects the rate payer of Wellington from contributing to the increasing capital costs for methane destruction from landfills. The electrical generation plant is a creative solution that converts waste management adverse effects (methane gas) directly into productive energy right at the source. With the introduction of new regulations under the Emissions Trading Scheme which came into effect January 2013 the gas captured and converted through the Nova energy plant provides a significant reduction to the Council's financial liability arising from the requirement to secure carbon units to offset landfill gas emissions. If the Nova energy plant and associated gas capture system were not operating, the Council would be subject to what is known as a 'default' position, which at the current rate would increase our carbon liability by 134% and this would need to be recovered through an increase in either the landfill fees or through rate levies if this was considered a historical liability. The monetary value of this would depend on the market price of carbon units which continues to evolve.

In essence, the partnership under the 2009 Deed between Nova and the Council sees our landfill harmful gases captured and destructed through continuing investment in gas capture systems and at no cost to the rate payer. The arrangement pays an annual fee to Council to offset operational costs and further ensures that our environmental and financial liabilities under the government's Emissions Trading Scheme are reduced to the lowest possible level.