



6 August 2024

Ministry of Business Innovation and Employment

By email to: [gasfuelpolicy@mbie.govt.nz](mailto:gasfuelpolicy@mbie.govt.nz)

Tēnā koe

## **Proposals for a Regulatory Regime for Carbon Capture, Utilisation and Storage**

Thank you for the opportunity to provide feedback on the consultation paper Proposals for a Regulatory Regime for Carbon Capture, Utilisation and Storage.

Contact Energy is one of New Zealand's largest generators contributing over 8 TWh per year, equivalent to about 20% of New Zealand's total electricity consumption. Our portfolio consists of hydro assets on the Clutha River in Central Otago, Geothermal stations in the Taupo region, gas generation in Taranaki, and a diesel plant at Whirinaki.

In 2023 Contact announced an ambitious plan to reach net zero emission from our generation activities by 2035. This will in part be achieved by rolling out a programme to Capture, store or utilise the fugitive emissions from our geothermal stations. This began with the capture and storage of emissions at our Te Huka plant, and will be rolled out to our other stations in the coming years.

For some geothermal plants reinjecting CO<sub>2</sub> is not technically feasible. Our Ohaaki plant fits into this category. In those cases we intend to capture, clean and utilise the emissions. At this stage we consider food grade CO<sub>2</sub> to be the highest value market to sell into.

Below we provide some comments on the consultation questions to support our plans to store and utilise our carbon emissions.

Please contact me at [brett.woods@contactenergy.co.nz](mailto:brett.woods@contactenergy.co.nz) if you wish to discuss further.

Ngā Mihi



Brett Woods  
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Contact Energy

#	Consultation question	Contact Energy Response
1	Do you agree that the government should establish an enabling regime for CCUS? Please provide any further information to support your answer.	Yes
2	Do you agree with our objectives for the enabling regime for CCUS? Please provide any further information to support your answer.	Yes
3	Should the ETS be modified to account for the emissions reductions achieved using CCS? If so, how do you think it should be modified?	We currently benefit from the regime that recognises the capture of CO <sub>2</sub> emissions for geothermal operations. If appropriate verification is in place we support this being rolled out to other technologies.
4	Do you agree that all CCS activities should be eligible to receive recognition for the emissions captured and stored? If not, why not?	There may be scale thresholds for many CCS activities below which it is not cost-effective to administer the regime. This could be addressed through a floor ion scale (if administration costs are borne by the Crown), or administration costs could be passed on to the applicant.
5	Do you think there should be a separate non-ETS mechanism for providing economic incentives for CCS? If so, what would this mechanism be?	
6	In your opinion, which overseas standards for monitoring, verification and reporting of CCUS-related information should New Zealand adopt?	
7	Is there any other information that CCS project operators should be required to verify and report? Please reference the relevant overseas standards where applicable.	
8	What methods should be used to quantify CO <sub>2</sub> removal and storage in CCUS projects?	
9	Are additional mechanisms required to ensure compliance with monitoring requirements?	
10	What level of transparency and information sharing is required?	
11	Do you consider there should a minimum threshold for monitoring requirements so that small-scale	

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	pilot CCS operators would not have to comply with them? If so, what should be the threshold?	
12	Should a monitoring regime extend to CCU activity?	Yes. If there is no regime, then this becomes a loophole for unaccounted emissions.
13	Do you agree the proposed approach on liability for CO2 storage sites aligns with other comparable countries (like Australia)? If not, why not and how should it be changed?	Yes an internationally comparable approach is preferable.
14	Is the proposed allocation of liability consistent with risks and potential benefits? Are there other participants that should share liability for CCS operations?	Yes
15	Should liability be the same for all storage sites if projects are approved? Or should liability differ, depending on the geological features and characteristics of an individual storage formation?	<p>Liability should be the same for all sites/operators, except where a strong science-based case is made for an alternative approach.</p> <p>One area that justifies a different approach is geothermal emissions. Natural fugitive emissions are very hard to assess as they occur over a large area, and across a range of sources. Currently there is no reliable way to measure these emissions, and in fact it is not known how much of the emissions that geothermal operators are liable for are actually net additions to what occurs naturally.</p> <p>Similarly it will be impractical to try and identify any increased emissions due to leakage of re-injected CO<sub>2</sub> noting that no additional CO<sub>2</sub> is being added to the reservoir.</p>
16	Do you consider there should a minimum threshold for CCUS operators being held responsible for liability for CO2 storage sites so that small-scale pilot CCS operators would be exempt? If so, what should be the threshold?	
17	Should the government indemnify the operator of a storage site once	

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	it has closed? If so, what should be the minimum time before the government chooses to indemnify the operator against liabilities for the CO2 storage sites?	
18	Are additional insurance mechanisms or financial instruments required to cover potential liabilities from CO2 leakage in CCS projects?	
19	What measures should be implemented to monitor CCS projects for potential leakage and ensure early detection?	
20	Do you agree that trailing liability provisions are needed? How do you think they should be managed?	
21	Are inconsistencies in existing legislation for consenting and permitting impacting investment?	
22	Should the permit regime for CCUS operations be set out in bespoke legislation or be part of an existing regulatory regime (such as the RMA, EEZ Act, the CMA or the Climate Change Response Act 2002)? Please give reasons for your answer.	
23	Should CCS project proponents be required to submit evidence that proposed reinjection sites are geologically suitable for permanent storage, in order for projects to be approved? If so, what evidence should be provided to establish their suitability?	
24	Should there be separate permitting regime for CCU activity if there is no intention to store the CO2?	CCU should be no different to other industrial activity with similar measurement and liability requirements.
25	Are there regulatory or policy barriers to investment and adoption of CCU technologies?	Currently imported CO <sub>2</sub> is exempt from the ETS, whereas domestically produced CO <sub>2</sub> is not. This places domestic utilisation projects at a significant disadvantage, ultimately harming domestic CO <sub>2</sub> security. As part of this work government must level

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		<p>the playing field by either applying the ETS to imports, or exempting domestic CO<sub>2</sub> capture</p> <p>The purification of geothermal non condensable gases to food grade CO<sub>2</sub> also oxidises methane (CH<sub>4</sub>) to Carbon Dioxide (CO<sub>2</sub>); this results in a significant decrease in the CO<sub>2</sub>e emissions. However, the current ETS does not have a mechanism to reflect this advantage.</p>
26	What potential markets for CO <sub>2</sub> derived products do you see as most critical in New Zealand?	We are focussing our attention on food grade CO <sub>2</sub> as that is the majority of the NZ demand.
27	Are there any specific barriers to transportation of CO <sub>2</sub> ?	We are not aware of any regulatory or other government barriers.