



*caring about you & your environment*

File No. TP/5/3/2

26 July 2002

The Minister of Economic Development  
PARLIAMENT BUILDINGS

Dear Sir

### **Vehicle Emissions and Local Air Quality in Wellington**

At a recent meeting of the Wellington Regional Land Transport Committee, the issue of deteriorating local air quality in the Wellington region resulting from vehicle emissions was discussed. As a consequence of this discussion a number of resolutions were passed including the following two:

1. Wellington Regional Council writes to the New Zealand Refining Company Limited requesting an advanced timeframe with reference to the introduction of cleaner diesel fuel to the New Zealand market thus reducing particles in the atmosphere (and seeks that Government recognises the need for action to the control of vehicle emissions and the fuel standards that are acceptable from the refinery).
2. That the Wellington Regional Council writes to the Government requesting that it recognises the need for the control of vehicle emissions by establishing acceptable standards of production at the New Zealand Refinery Company.

I look forward to your response to these resolutions and any other advice that may assist in addressing the issue of local air quality and how it relates to vehicle emissions.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Tony Brennand', written in a cursive style.

TONY BRENNAND  
Manager, Transport Policy



*caring about you & your environment*

File No. TP/5/3/2  
davey26jul\_djw

26 July 2002

Alan Davey  
General Manager  
New Zealand Refining Company Limited  
Private Bag 9024  
WHANGAREI

Dear Sir

### **Vehicle Emissions and Local Air Quality in Wellington**

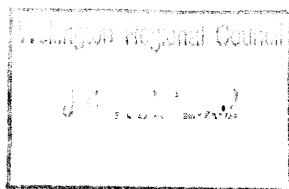
At a recent meeting of the Wellington Regional Land Transport Committee, the issue of deteriorating local air quality in the Wellington region resulting from vehicle emissions was discussed. As a consequence of this discussion a number of resolutions were passed including the following two:

1. Wellington Regional Council writes to the New Zealand Refining Company Limited requesting an advanced timeframe with reference to the introduction of cleaner diesel fuel to the New Zealand market thus reducing particles in the atmosphere (and seeks that Government recognises the need for action to the control of vehicle emissions and the fuel standards that are acceptable from the refinery).
2. That the Wellington Regional Council writes to the Government requesting that it recognises the need for the control of vehicle emissions by establishing acceptable standards of production at the New Zealand Refinery Company.

I look forward to your response to these resolutions and any other advice that may assist in addressing the issue of local air quality and how it relates to vehicle emissions.

Yours sincerely

TONY BRENNAND  
Manager, Transport Policy



**The New Zealand  
REFINING COMPANY LTD**

2<sup>nd</sup> August 2002

Wellington Regional Council  
PO Box 11-646  
**WELLINGTON**

Attention: Mr T. Brennan

FILE REF	
TP/05/03/02	
Doc No. 1171416	
Referred to	Date/tn
Brennan	

Dear Sir

***Vehicle Emissions and Local Air Quality in Wellington***

Thank you for your letter dated 26th July 2002.

The deterioration of local air quality can be caused by a multiplicity of factors of which fuel quality can be one. Other significant factors include meteorological conditions, vehicle numbers, road layout, vehicle fleet, vehicle maintenance etc. Without any further information it is only possible for me to comment in general terms.

The New Zealand Refining Company's fuel quality has not deteriorated and has actually improved in terms of the sulphur content of diesel fuel. Our diesel production is also characterised by relatively high **cetane** number and low density that aid efficient combustion. The sulphur content of our petrol is already comparable to the Ultra Low Sulphur Petrol available in many counties around the world.

Wellington **does** not uniquely receive products from the New Zealand Refining Company as it has the capability to receive imported product. The supply source for Wellington is optimised by the oil companies. We understand that in the first six months of this year over 45% of Wellington's diesel was imported. Imported products must comply with the prevailing Petroleum Products Specifications Regulations but within that constraint may vary considerably with that produced by us at **Marsden Points**.

As you are certainly aware the Government has recently published revised Product Specifications Regulations following an extensive review process. The New Zealand Refining Company participated openly and constructively in this process and broadly supports the outcome. The Government had to balance the needs of many stakeholders together with considering issues of security of supply, fair competition, environment, health etc.

Contdl.

The future specifications require our Company to make major investments in new process equipment (approximate cost \$130 to 150 million). Our Board has approved these investments in principle and we are currently progressing the Front End Engineering Design phase. There is little scope to accelerate implementation of these projects. In the meantime we have been proactive in improving diesel quality by maximising the utilisation of our existing desulphurisation capability.

Non fuel measures such as vehicle maintenance and testing have a significant effect on air quality. Improved fuel alone will not deliver the improved air quality that is desired.

The issues surrounding the provision of improved fuels to New Zealand and their effect on the environment and health are very complex. The New Zealand Refining Company has made detailed submissions and presentations to Government and other stakeholders on these issues (including one at the Wellington Clean Air conference).

Yours sincerely

A handwritten signature in black ink, appearing to read 'Alan Davey', with a long horizontal stroke extending from the end of the signature.

Alan Davey  
**General Manager**



Office of Hon Jim Anderton  
**Deputy Prime Minister**

Minister for Economic Development, Minister for Industry and Regional Development  
 Minister in charge of Public Trust

Wellington Regional Council

16 AUG 2002

14 AUG 2002

Mr Tony Brennand  
 Manager, Transport Policy  
 Wellington Regional Council  
 PO Box **11646**  
 Wellington

FILE REF:	
TP/05/03/02	
Doc. No. 119996	
Referred to	Date/trn.
T. Brennand	

Dear Mr Brennand

Thank you for your letter dated 26 July 2002, regarding vehicle emissions and local air quality in Wellington.

The matter you have raised falls within the portfolio of the Minister of Energy, Hon Pete Hodgson. I have asked my colleague to consider your letter on my behalf and respond directly to you with a copy to me.

I can assure you this government shares your concerns and is in the process of improving fuel specifications so as to reduce unhealthy emissions.

Yours sincerely

**JIM ANDERTON MP**  
**DEPUTY PRIME MINISTER**

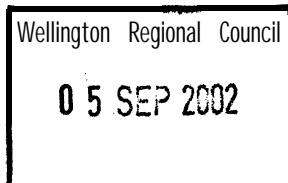
cc *Private Secretary – Minister of Energy*

*For direct reply please*

**Parliament House  
WELLINGTON 1.**



**Telephone (04) 471 9999**



**- 4 SEP 2002**

FILE REF:	
TP 105/03/02	
Doc No. 120941	
Referred to	Date/In:
T. Brennan	

AER 02-03/14

Tony Brennan  
Manager, Transport Policy  
Wellington Regional Council  
PO Box 11646  
WELLINGTON

Dear Mr Brennan

Thank you for your letter of 26 July 2002 regarding vehicle emissions and fuel quality standards. Hon Pete Hodgson has asked me to reply directly to you, as the issue of fuel quality now falls within my responsibilities as Associate Minister of Energy.

As you are aware, the Ministry of Economic Development recently completed an extensive review of the Petroleum Products Specifications Regulations. The review found that the regulations needed to be updated for consumer, health, and environmental reasons. As a result of this review, significantly revised fuel quality regulations were put into place and became effective as of 1 September of this year. A copy of the new regulations can be found on the Ministry of Economic Development website at [http://www.med.govt.nz/ers/oil\\_pet/fuelquality/2002regs/index.html](http://www.med.govt.nz/ers/oil_pet/fuelquality/2002regs/index.html).

A number of factors were taken into account during the course of the review. The health and environmental effects of petrol and diesel use, and the contribution that fuel quality makes to vehicle emissions, are important issues and were given careful consideration. However, the review was not limited to these concerns. Also of concern were the security of New Zealand's fuel supply and the competitiveness of the fuel supply industry.

As you may be aware, New Zealand is dependent upon imported fuel supplies, both for our day-to-day fuel needs and as a backup source of supply. One-third of our petrol demand is met through imports, as well as one-tenth of our diesel consumption. These are average figures; during periods when units at the Marsden Point Oil Refinery are shut down, such as for maintenance, the amount of fuel that must be imported to supply our needs is larger.

Because of the fuel supply situation, it is crucial that fuel that complies with our regulated specifications be available from refineries in the Asia-Pacific region. In addition to guaranteeing the security of our fuel supply, the availability of compliant fuel from overseas sources promotes a robust competitive environment. The importance of these factors cannot be overstated. The fuel regulations apply at all times; therefore, they must allow for contingencies in the fuel distribution system.

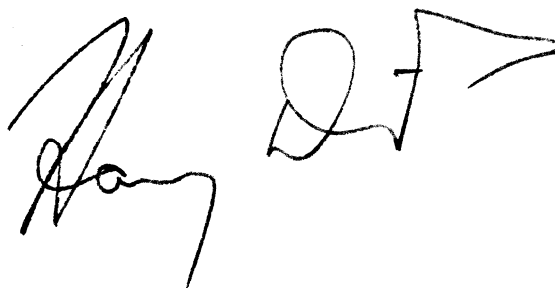
Unfortunately, as New Zealand is a very small player in the regional transport fuel market, it has very little influence in regional refining operations. As an illustration, in 2000, of the 760,000 metric tons of petrol that New Zealand imported, about 598,000 metric tons, or nearly 80%, came from Australia, an amount that represented only about 4% of Australia's production of petrol for that year. It was therefore very important to consider the regional fuel markets, and particularly that of Australia, in determining final amendments to the regulations.

In regard to domestic fuel production, I am aware that the New Zealand Refining Company is proceeding with design work to construct a new desulphurisation plant at the Marsden Point Oil Refinery. This new unit will enable the refinery to produce diesel with a sulphur content of less than 50 parts per million (ppm). If the company's board of directors approves this project, it is envisaged that the new unit could be in operation by mid-2005. The regulated deadline for implementing the 50 ppm sulphur specification, January 2006, provides a small window of time for project overruns and plant testing. This is a very tight timeframe for a project of this magnitude.

Alternatively, the New Zealand Refining Company may decide, after calculating the costs of the refinery upgrade, not to proceed with the project. In this case, it will be important for fuel to be available from overseas sources. The January 2006 implementation date coincides with the Australian specification for the introduction of 50 ppm sulphur diesel, so diesel of that quality should be readily available in the region then.

As you are aware, improving fuel quality is only part of the solution to reducing particulate emissions. The Ministry of Transport is currently undertaking a review of all possible emissions control measures, which may include a test for emissions during warrant of fitness testing. This review will also include an analysis of the costs and benefits of measures that could be taken. As an Associate Minister of Transport, I will be taking a special-interest in the results of this review.

Yours sincerely



Harry Duynhoven  
Associate Minister of Energy