

LPG may get bigger role in next energy strategy

Direct use of LPG and natural gas may receive more prominence in the next iterations of the Draft Energy Strategy and the Draft New Zealand Energy Efficiency and Conservation Strategy.

The LPG and Gas Associations have in recent weeks met with Energy Minister, David Parker, and Ministry of Economic Development and EECA officials, in a bid to amend the draft strategies more in favour of direct use of gas (DUOG).

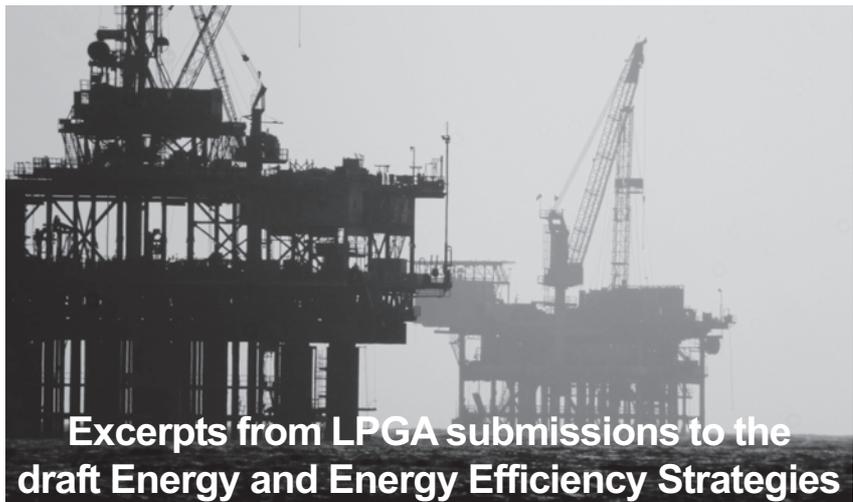
The two Associations are concerned the draft strategies overlooked the role DUOG can play in displacing base and peak load electricity, and in moving New Zealand along the path to a low carbon, energy efficient economy.

"We're hopeful the next version of the documents will provide a more positive government message about the value and role of DUOG as a strategic energy asset."

In a joint presentation to David Parker, Rinnai Chief Executive, Ray Ferner, LPGA President, John Cumming, Executive Director, Peter Gilbert and GANZ Executive Director, Stephen Parker, said the draft Energy Strategy 'downplayed the role of DUOG', and the NZEECS ignored it altogether.

Ray Ferner said the strategies' initial silence on the value of DUOG sent negative signals to industry and consumers about the future of gas in

Cont. page 6



Excerpts from LPGA submissions to the draft Energy and Energy Efficiency Strategies

The NZES should:

- Note that using gas directly, as opposed to using it as an electricity feedstock, offers far greater strategic advantages in terms of energy security and diversity, climate change impacts and energy efficiency gains.
- Endorse DUOG as a viable and preferred energy source for space and water heating and cooking in the residential and commercial sectors.
- Advocate use of DUOG as a priority to displace coal and LFO in industrial applications.
- Endorse DUOG as a partner fuel for solar applications.

The Associations also urged that in the NZEECS:

- DUOG should be recommended as a primary energy source for Government housing stock.
- DUOG should receive a positive weighting in programmes such as the Household Energy Rating Scheme.

- The programme of partial subsidies that encourage homeowners to swap to cleaner-burning DUOG heating appliances (provided by ECAN) should be expanded.
- Subsidies for solar installations could be broadened to cover gas applications as well.
- Local authorities should be encouraged to introduce initiatives to incentivise DUOG applications in new builds across the residential, commercial and industrial sectors.
- Government acknowledges its role in building market confidence in, and support for, DUOG by sending more regular and consistent signals about surety of gas supplies, and that it actively and regularly positions DUOG as a good option for New Zealanders.
- Government continues to work with industry to ensure appropriate frameworks to encourage the use of the most energy efficient gas appliances.

LPGA pushes for changes to HSNO regs

The LPG Association is urging major changes be made to specific regulations governing safety and handling of LPG installations.

Executive Director, Peter Gilbert says the regulations in question (see stories below) are unnecessarily stringent, at odds with other jurisdictions around the world and serve no useful purpose in the New Zealand market.

They do not enhance safety, but they do mean extra costs and effort for LPG users and suppliers and, in some cases, for the territorial local authorities trying to manage the regulatory process.

The LPGA is lobbying for a more straightforward and sensible approach.

“The LPG Association – and the wider industry – is very conscious of

maintaining our enviable safety record, and of adhering to world’s best practice guidelines in terms of operational procedures,” Peter said. “None of the regulatory changes the LPGA is proposing will contravene those objectives.

“Rather they will increase efficiencies and lower costs, which will benefit all parties.”

1: Ministry considers raising LPG ‘trigger levels’

The Ministry for the Environment (MfE) is sympathetic to LPG Association proposals that resource consent ‘trigger levels’ for residential LPG installations should be set at a minimum of 250kgs.

The LPGA argues the new 250kgs standard will reduce time delays, costs and uncertainties for LPG consumers, developers and LPG suppliers.

It will also create efficiencies within the territorial local authority resource consents process, Peter Gilbert said.

The trigger levels dictate how much LPG can be stored on a residential property before homeowners need a resource consent.

A report commissioned by the Association shows these levels range from 2,000kgs to as low as 50kg - a huge variance which is difficult to understand.

50kg LPG cylinder clogs up the system and creates delays and costs for LPG users. The alternative is homeowners ignore the regulations. Neither outcome is desirable.

“We’re not suggesting TLAs with higher limits drop theirs to 250kgs if they are satisfied with their current level.

“However, we believe TLAs with lower limits should raise their trigger levels to 250kgs. This is a reasonable and sensible minimum and it would

provide consistency across TLAs,” Peter said.

He said the 250kgs limit would not create safety issues because that aspect of LPG storage is covered by HSNO regulations.

Any change in the trigger levels must go through the TLA district planning process. Most plans come up for review in two years.

Under existing regulations, this twin pack (below left) will need a resource consent in some parts of the country - just like this bulk tank.



A 250kgs limit would not create safety issues.

In jurisdictions where trigger limits are 50kg, virtually all homeowners who use any LPG for space and water heating must get a resource consent.

“That presents quite a logistical problem,” Peter said. “There is no valid reason – safety or otherwise - to set trigger limits that low.”

Having thousands of homeowners applying for resource consents for a

2: HSNO location certificates are une

The LPGA also wants changes to the HSNO regulations that stipulate a location certificate is required for LPG installations as small as just 100kgs.

Coupled with the overly harsh requirements for spray cages for parked LPG tankers and the inconsistent resource consent trigger

levels for residential LPG storage, this regulation shows just how strenuous and without foundation are some of the rules governing LPG operations.

“No other jurisdiction in the world requires location certificates for LPG installations as small as 100kgs,” Peter Gilbert said.

3: Tanker spray cage rules need revamping

The LPGA is urging ERMA to review the HSNO regulations governing spray cages for parked LPG tankers.

Current regulations state spray cages are required for any LPG tanker that is not 'nominally empty' and which is parked for longer than an hour.

"The costs and logistical implications to industry are quite considerable," Peter Gilbert said.

"The industry believes that these regulations are not justified and we are working with ERMA to have them reviewed."

The Association is preparing a risk analysis to demonstrate the over-the-top nature of the existing regulations.

"We are hopeful we can negotiate more appropriate and considered safety rules governing tanker parking."



Tankers like these are required to have spray cages whenever parked.

New research shows major electricity savings from more direct use of gas

New research analysis reveals that more direct use of gas and LPG could halve New Zealand's household electricity demand, whereas a reliance on heat pumps can actually increase strain on the electricity system.

The paper, released by BRANZ in February, suggests greater use of gas and LPG for low process heat applications – eg. household space and water heating – could shave 56% off current winter household electricity loads, and 51% from average household summer demand.

The research shows that heat pumps could actually increase peak electricity load ...

Not only would this greatly reduce current pressure on electricity generation systems, it would also limit



the need for and size of new power stations and minimise investment in costly grid upgrades.

As well as advocating direct use of gas and LPG, the report also casts doubt on the strategic impact of heat pumps. The research shows that using high efficiency electric heat pumps for water and space heating reduces average winter load by just 6% and summer load by only 22%.

It also shows that heat pumps could actually increase peak electricity load,

although this needs further analysis.

"This research demonstrates quite clearly the value of direct use of gas and LPG as a strategic energy asset," said GANZ Chairman, Michael Cummings.

"Given these findings, it is very surprising that direct use of gas doesn't feature much more significantly in government energy policy."

The BRANZ paper shows hot water and space heating account for 63% of total household energy consumption. Lightening, refrigeration, cooking and

Cont. page 4

Necessary for 'small' LPG installations

"It's unreasonable. South Australia is the next lowest after New Zealand and even they don't require certificates for anything under 250kgs.

"The rest of Australia sets their limit at 1,500kgs, which is far more sensible."

The current regulations state that

all LPG installations over 100kgs must be certified by an independent test certifier. This is a costly and unnecessary process that just means extra complications for LPG users.

"We are applying to ERMA for a formal re-assessment of these regulations," Peter said.

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Another tax break for auto LPG



The Government has again favoured automotive LPG by excluding it from recent increases to petrol excise tax and road user charges.

This is the fourth time in five years government has exempted auto LPG from transport fuel tax increases, said LPG Association executive director, Peter Gilbert.

“This reflects ongoing government support for auto LPG, which has a lower greenhouse gas impact than petrol, and which emits none of the carcinogenic particulates found in diesel exhausts.”

The recent tax rises, which are inflation-linked, increase the price of a litre of petrol by 0.69 cents including GST. Diesel road user charges have risen by 64 cents including GST per 1,000kms.

While government must be applauded for supporting cleaner-burning auto LPG, Peter said most New Zealanders do n't realize LPG has this level of government backing.

“That’s very unfortunate and it probably negates the effectiveness of this initiative.”

Peter urged government to actively publicise its support for auto LPG.

He said this will be a key factor in encouraging more high mileage motorists to switch to LPG, which will help to cut transport sector emissions and assist New Zealand to meet its Kyoto obligations.

“The country needs to get best value from this government support.”

New research shows major electricity savings from more gas use cont. from p3

other appliances comprise the rest.

The paper notes the importance of shifting the focus of energy policy away from electricity generation and on to ‘the best way for the country to match fuel resources with energy needs.’

“There is no alternative to electricity for some applications, like lighting and running specific electric appliances,” the report notes, “but, equally, there is no reason why direct use of gas can’t be used for cooking, and space and water heating.”

Doing so would reduce both base level and peak load electricity demand.

LPGA President, John Cummings says there is certainly no shortage of gas and LPG to service a much greater reliance on direct use of gas.

“New Zealand has access to plenty of natural gas and LPG for household use for many, many years. Consumers can be very confident about that!”

While the BRANZ analysis looks only at residential sector, it is thought the commercial and industrial markets will have similar energy consumption patterns. This opens the door to even greater electricity savings.

“Given these findings, it is very surprising that direct use of gas doesn’t feature much more significantly in government energy policy.”

Low lake levels sound power shortage warning

Demand for LPG may jump again if predictions are right that New Zealand faces another electricity shortage.

Storage lake levels are low, with Tekapo and Pukaki just over half full. Other lakes are also lower than usual, and “concern is increasing” according to Meridian Energy/

A company spokesperson said “we’ve had a sustained period of low inflows pretty much over the whole country.”

This is reinforced by predictions from MetService that we can expect lower than average rainfall, particularly in the South Island, at least until August.

LPG has been a fuel of choice in previous electricity shortages, as bigger users and commercial operations have used it to provide primary and back-up services.

Let’s hope for the country’s sake that we don’t face another shortage,” said LPGA Executive Director, Peter Gilbert.

“However, we can’t help but wonder by how much the impact of an electricity shortage would be lessened if we had a more active approach to gas fuel switching.”



The picturesque lake Tekapo is just over half full, and other hydro storage lakes are similarly low.

Aussie incentives drive LPG demand

The response to Australia's autogas rebate programme remains high, with the level of rebates on track to far surpass the government's original budget.

The scheme has stimulated a 139% growth in national sales of new autogas-powered passenger and light commercial vehicles in 2006, according to figures recently released by the Federal Chamber of Automotive Industries.

In response, government officials are considering a "re-profile" of the programme that would double the first

The scheme has stimulated a 139% growth in sales of new autogas-powered passenger and light commercial vehicles.

year of government funds from A\$64.8 million to A\$126 million.

The scheme was unveiled last year by Australian Prime Minister John Howard at the height of community anxiety about petrol prices.

According to the Australian LPG Association, the LPG industry has responded well to a relative shortage of conversion kits - brought about by the high driver uptake - by increasing conversion kit volumes and installation capacity by almost double the previous level in a few short months.

The waiting period for conversions immediately after the scheme's introduction had in some cases been up to 12 months, but has now fallen back to around three months.

Be SMART - save the planet and your wallet

The LPG-powered Smart car has received a big green tick from Britain's Independent newspaper.

The paper judged the Smart car against the Toyota Prius, 'the Holy Grail for greenness', which registers 104g/km for CO₂. However, emissions from the LPG Smart are around 90g/km.

Not only that, the LPG Smart is totally exempt from London's congestion charge. And while the Prius costs



almost £18,000, the LPG Smart starts at around £9,000. So be Smart - save the planet while also saving your money!

Telstra fleet big on auto LPG

Australia's leading telecommunications and information services company, Telstra, also operates the nation's largest private vehicle fleet.

As part of its programme to use environmentally friendly fuels, the company operates 2,100 dedicated autogas vehicles, including 1,400 Ford E-Gas wagons.

Telstra is adding autogas vehicles whenever possible, and expects its national fleet to be majority autogas by 2009.

BOC expands in NZ

BOC is increasing its presence in the New Zealand LPG market, and is now active in both the wholesale and retail sectors.

The company's purchase of Shell's wholesale and retail LPG interests has given it a solid platform for further growth, says BOC's Business Manager for LPG in New Zealand, Tony Smith. "BOC intends to be a full player in the New Zealand LPG market," says Tony, who, with colleague, Ian Macefield, represents the company on

the LPG Association executive. As part of its growth cycle, BOC plans to integrate and expand its presence across all sectors including the bulk market. Following its acquisition of Shell's LPG business, BOC operates 21 Gas and Gear retail sites around the country.

It also works with 60+ agent partners and has two wholly-owned and three third party LPG distribution businesses. It has also assumed Shell's shareholding in Liquigas.

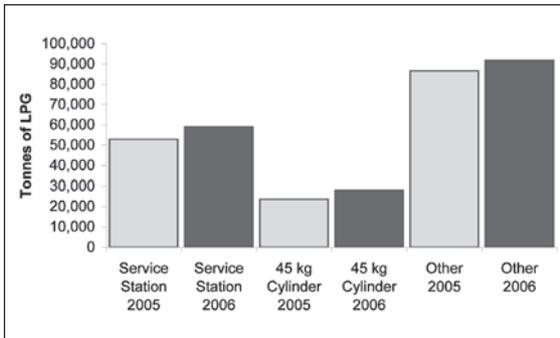
LPGA conference

This year's LPGA conference will be held in Hamilton on October 25 and 26 at the Novotel.

There will be the usual line-up of quality speakers and the very valuable informal networking events, which make the conference so useful.

Mark your diaries now and keep an eye out for the registration material.

Demand for LPG increases again



LPG sales have jumped nearly 10% again over the last year to almost 180,000 tonnes.

LPGA Association figures show the

annual sales rose from 163,149 tonnes in the 2005 financial year to 178,869 in the 2006 year.

Service station sales rose by over 6,107 tonnes, 45kg cylinder sales increased by 4,387 tonnes and the broad 'other category' increased by 5,226 tonnes.

LPGA Executive Director, Peter Gilbert, said the increase in demand was largely weather-driven, coupled with rising petrol and diesel prices

which bolstered service station throughput.

"Demand for LPG is probably rising faster than demand for any other energy source in New Zealand," Peter said.

"Consumption has grown by 10% a year for many years now and this trend does not appear to be declining.

Peter said LPG is becoming increasingly popular as a space and water heating energy source in the residential and light commercial markets, particular in the 'new build' segment.

LPG heating to help combat Otago air pollution ?

Otago Regional Council is following Environment Canterbury's lead and is proposing moves to introduce a 'smokefree heating' bylaw.

If introduced, the bylaw would ban open fires and wood and coal burners from the end of 2011.

Cleaner-burning LPG appliances would become a sensible and cost-effective option for many affected households in the area.

The moves are part of proposed changes to the regional air plan designed to improve air quality within the region's towns.

They are a major step towards achieving the National Environmental Standards for Air Quality.

According to Otago Regional Council information, monitoring of air

Arrowtown residents may have to consider LPG heating as a cleaner-burning option under proposed new air quality bylaws.



quality in the region in the last 10 years has shown that PM10 levels in several Otago towns frequently exceeded the national permissible standard during winter.

The main source of the pollution is smoke from solid fuel heating and cooking, including open fires, woodburners, multi fuel burners and coal ranges.

Worst affected are Alexandra, Arrowtown, Clyde and Cromwell. Dunedin, Queenstown and Wanaka,

Cleaner-burning LPG appliances would become a sensible and cost-effective option for many affected households in the area.

among other towns, are deemed to be in the 'less severe' area.

LPG MAY GET BIGGER ROLE IN STRATEGY- cont from P1

New Zealand, and undermines market confidence.

"Reading both documents gave one the impression that DUOG was seen

as a spent force in the energy debate," Ray said, "whereas DUOG actually provides numerous energy security, environmental and energy efficiency benefits."

John Cumming said the two Associations are very pleased with the reception they received from the Minister and officials.

"Based on the feedback we received, we're hopeful the next version of the documents will provide a more positive government message about the value and role of DUOG as a strategic energy asset."

The Associations have provided joint submissions on the draft energy strategy and the NZEECS.