

HUTT CITY COUNCIL

Long Term Plan/ Annual Plan Subcommittee | Komiti Iti Mahere ā-Ngahurutanga/Mahere ā-Tau meeting to be held in the Council Chambers, 2nd Floor, 30 Laings Road, Lower Hutt on Wednesday 10 February 2021 commencing at 9.30am.

SUPPLEMENTARY ORDER PAPER

PUBLIC BUSINESS

6. RECOMMENDATIONS TO COUNCIL - 10 February 2021

- e) Accelerating the transition out of natural gas use at Council facilities (21/153)

Report No. LTPAP2021/1/17 by the Manager, Sustainability and Resilience 2

CHAIR'S RECOMMENDATION:

“That the recommendations contained in the report be endorsed.”

Kate Glanville
SENIOR DEMOCRACY ADVISOR

03 February 2021

File: (21/153)

Report no: LTPAP2021/1/17

Accelerating the transition out of natural gas use at Council facilities

Purpose of Report

1. To present the Subcommittee with estimates regarding the capital costs for completing the transition out of natural gas use at Council facilities, and to request inclusion of these additional funds in the draft Long Term Plan.

Recommendations

That the Subcommittee recommends that Council:

- (1) agrees to include an additional \$4.5M in the draft Long Term Plan, in order to allow for the complete transition out of natural gas by 2030; and
- (2) agrees to consult with the community on the recommended preferred option (complete transition out of natural gas by 2030), with the alternative option involving decisions on funding taken in the future and realising this transition by the early 2040s.

For the reason as outlined in this report.

Background

2. On 31 January 2021, New Zealand's Climate Change Commission (the Commission) released its draft advice regarding the direction of policy necessary to put New Zealand on a pathway to quickly, significantly and permanently reduce greenhouse gas emissions.
3. The Commission notes that in order to achieve the 2050 targets, the total amount of natural gas used needs to reduce. Much of the natural gas currently used for process heat, heating and cooking in buildings, and electricity generation will need to convert to low emissions technologies.
4. The Commission notes further that there are proven options for decarbonising low and medium temperature process heat, such as heat

pumps, and it recommends that no further natural gas connections to the grid, or bottled LPG connections, occur after 2025.

5. The recommended direction by the Commission is in line with previous decisions taken by Council, including
 - a. the development of an Energy and Carbon Reduction Plan 2020-24 to significantly reduce energy use and emissions at its facilities;
 - b. the development of business cases and requests for capital funding for decarbonising the Dowse Museum and various aquatic facilities, that, if implemented as scheduled, would result in a 70% reduction in emissions associated with the use of natural gas;
 - c. the requirement for Urban Plus Ltd to only build developments that utilise electricity or renewable sources of energy for space heating, water heating and cooking facilities.

Completing the transition out of gas used at our facilities

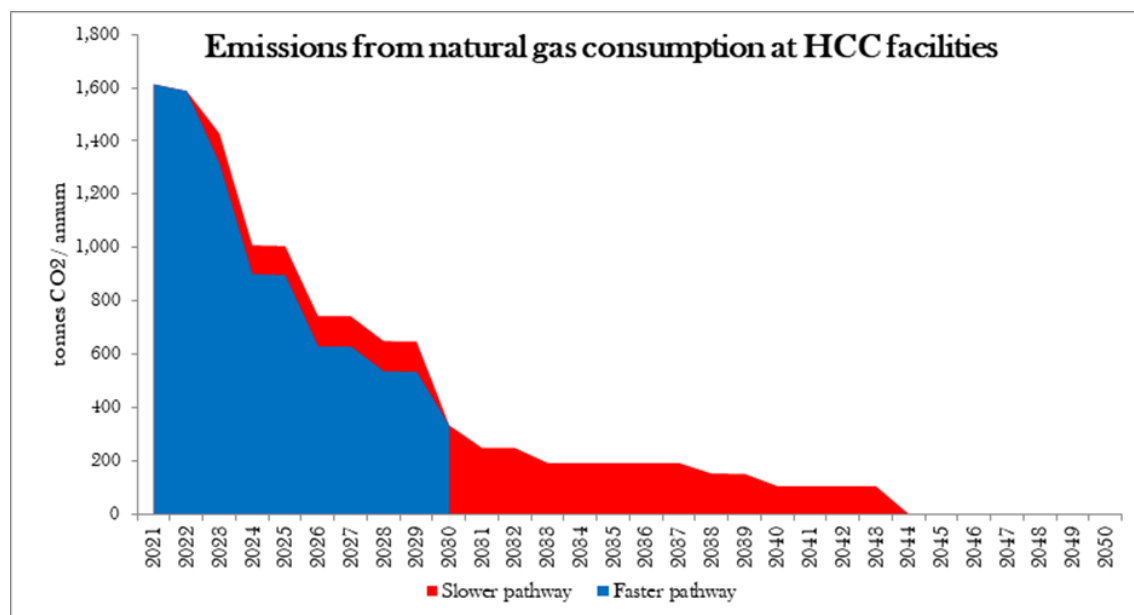
6. Since Council's decision to include \$2.7 million in the draft Long Term Plan (LTP) in December last year, officers have been progressing further work related to the decarbonisation our Council facilities.
7. Based on the business cases for decarbonising the Dowse Museum and various aquatic facilities, officers have now been able to estimate the capital costs for completing the transition out of natural gas at the remaining facilities, as shown in the table below (ordered by natural gas consumption).

Site	Capital estimates (\$)		
	Lower	Mean	Upper
Wainuiomata Pool	300,000	350,000	400,000
Event Centre	500,000	575,000	650,000
Huia Pool	600,000	625,000	650,000
McKenzie Pool	200,000	250,000	300,000
Ricoh Sports Centre	300,000	350,000	400,000
War Memorial Library	300,000	375,000	450,000
Myrtle Street (Hutt Rec)	200,000	300,000	400,000
Walter Nash Stadium	200,000	300,000	400,000
Other (smaller) facilities	190,000	502,500	815,000
Total	2,790,000	3,627,500	4,465,000

8. Note that no detailed site assessments were carried out to derive cost estimates. Instead, officers based these costs on the range of costs incurred at similar facilities. However, they provide a useful measure of the scale of investment required to complete the transition.
9. In light of the high level nature of the estimates, officers recommend that the upper limit be used for budgeting purposes to allow for risks and contingencies. In addition, costs as shown are uninflated, and depending on the timing of the projects, standard inflation adjustments would need to be applied.
10. With regard to the effect of technology changes on operational costs, these are not yet available. However, in a number of cases, it is likely that this would result in operational energy cost savings.
11. Finally, the above table does not include the Grand Stands at Petone Rec. This building is proposed to be refurbished, including decarbonisation, and funding is being requested as part of another report to this subcommittee.

Pathways for reducing natural gas used at our facilities

12. In line with the Commission's draft advice that New Zealand must transition out of the use of natural gas, there are broadly two pathways available to Council for doing so at its facilities, as shown in the figure below.



13. The faster pathway would complete the transition out of natural gas use by 2030, and this assumes that natural gas in the relevant facilities would be replaced with alternative energy sources earlier than scheduled. This implies that estimated additional costs of up to \$4.5M would be incurred by 2030.
14. The faster pathway could avoid up to 3,000 tonnes of CO₂ until 2050, depending on the remaining emissions intensity of New Zealand's electricity production.

15. The slower pathway would complete the transition out of natural gas by the early 2040s, and this assumes that natural gas would be replaced with alternative energy sources at the time of the scheduled renewal or upgrade of a facility.
16. Officers recommend that the faster pathway become the default pathway for Council facilities. This is because by completing the transition earlier, it means that Council uses up less of its “carbon budget”. It also recognises that the transition out of natural gas is relatively straight forward, as technology is readily available, whereas in other areas, such as emissions from landfills, reducing emissions is significantly more challenging.
17. Note that in the faster pathway, there are risks regarding the feasibility of completing these works by 2030, due to the number of large and small projects involved. The projects will have to be spread out in order to manage the work load, and a number of the projects will have to be completed in the second half of the 10 year period.
18. For the faster pathway, the potential changes at the various facilities could be timed as follows:

Year	Group	Upper	Site
2021/22	HUBS	15,000	Wainuiomata Library
2024/25	Parks	100,000	Notty House
2024/25	Libraries	450,000	War Memorial Library
2024/25	Parks	100,000	Mary Crowther Park, Wise Street
2025/26	Parks	100,000	Boxing club at Fraser Park
2025/26	Parks	100,000	Kirks Avenue, Petone
2026/27	Parks	100,000	Fraser Park, Taita Drive - Long Bldg
2027/28	pools	100,000	Stokes Valley - Misc
2028/29	Ricoh	400,000	Ricoh Sports Centre
2028/29	Parks	100,000	Memorial Park
2029/30	Pools	400,000	Wainuiomata Pool
2029/30	Pools	650,000	Huia Pool
2029/30	Parks	400,000	Myrtle Street (Hutt Rec)
2029/30	HUBS	400,000	Walter Nash Stadium
2029/30	Parks	100,000	Te Whiti Park Changing Rooms
2030/31	Halls	650,000	Event Centre
2030/31	Pools	300,000	McKenzie Pool
		4,465,000	

Options for LTP consultation

19. In the current draft LTP consultation document, investments to decarbonise the Dowse and various aquatic facilities (about \$2.5 million) are already embedded, ie the draft document assumes that these will take place and does not request feedback from the community.
20. However, officers propose to strengthen the draft LTP's climate change focus, by adding additional funds to complete the transition out of natural gas, and to request feedback from the community on whether it agrees with this approach.

21. This could be done by offering the following two options in the draft LTP, for consultation with the community:
- a. Option 1 (preferred): Provide funding for decarbonising all of Council's facilities by 2030, reducing natural gas use by 100%. This option involves additional capital funding of up to \$4.5 million for decarbonising all remaining facilities by 2030, on top of the approximately \$2.5 million previously approved for decarbonising the Dowse and some aquatic facilities.
 - b. Option 2: Provide funding for decarbonising key Council facilities only, reducing natural gas use by 70%. Decisions on capital funding for further decarbonisation would be taken in the future and the transition would not be complete until the early 2040s. This option would delay the capital funding requirements of \$4.5 million until some future time compared to Option 1, albeit would result in additional carbon emissions of about 3,000 tonnes of CO₂.

Note that Option 2 is the default option in the current draft LTP consultation document, whereas in the revised document, it would become the alternative (less preferred) option.

Climate Change Impact and Considerations

22. The matters addressed in this report have been considered in accordance with the process set out in Council's Climate Change Considerations Guide.
23. An accelerated transition as proposed in this report would avoid a further 3,000 tonnes of CO₂.

Financial Considerations

24. The proposed increased capital investment programme of \$4.5 million would be funded from borrowings. The financial impacts of this proposed budget change, together with other budget decisions by Council at 10 February 2021 meeting, will be worked through by officers and reported to the LTP Working Group for decisions. It is likely that the rates increases for years 4 to 10 of the ten year plan will need to be adjusted upwards slightly to ensure that the Balanced Budget target position of 2028/29 is maintained.

Appendices

There are no appendices for this report.

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Reviewed By: Jenny Livschitz, Chief Financial Officer

Reviewed By: Matt Boggs, Director, Strategy and Engagement

Reviewed By: Helen Oram, Director Environment and Sustainability

Approved By: Jo Miller, Chief Executive