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Tunnel could mean \$350m windfall

By FLEUR COGLE - The Timaru Herald Last updated 05:00 23/06/2009

Construction of Meridian Energy's North Bank hydro tunnel could pour up to \$349.8 million into the South Canterbury economy, and provide a further \$4.5m a year directly and indirectly to businesses once it is operational, Meridian Energy says.

Yesterday, at the first day of an Environment Court appeal before Judge Jon Jackson and three environment court commissioners, counsel Jo Appleyard opened the hearing by outlining the financial, social and environmental benefits of the proposal.

The hearing will decide the future of Meridian's plan to build a 34-kilometre tunnel on the north bank of the Waitaki River from below the Waitaki Dam to Stonewall, which could generate enough electricity to power a city the size of Christchurch.

The North Bank Tunnel Concept (NBTC) was nationally important as it would ensure the supply of electricity to the South Island, Ms Appleyard said.

"Meridian's case is that granting consent to NBTC will sustain the potential of natural and physical resources to meet the needs of future generations."

Meridian has calculated the NBTC's construction costs to add up to \$993.6m over seven years of construction, followed by incremental operating and maintenance costs of \$5m a year.

As well as construction benefits, Meridian planned to put \$1m over three years into the creation of a recreational development plan to assist communities affected by the scheme.

A range of environmental benefits would be described by Meridian's witnesses, including benefits to recreational users, vegetation control, wetlands, terrestrial ecology and fisheries, Ms Appleyard said.

Meridian was granted, last year, conditional rights to take, divert, use and discharge water from the river. That the company had not appealed against the conditions set down with the commissioner when the consents were granted was an indication the company accepted the findings of last year's submission's hearing, she said.

However, five appeals against those consents were lodged early this year by groups opposing the NBTC. After discussion between various river user groups, four appeals were withdrawn or were no longer active, leaving the Lower Waitaki River Management Society as the sole group to fight the proposal.

The group's appeal is based on its contention that issues raised in submissions, which related to the objective and policies in the Waitaki Catchment Water Allocation Regional Plan (WRP), had not been adequately addressed or remained unresolved by the decision to grant water rights.

Ms Appleyard introduced the mitigating steps Meridian would take to ensure conditions of consent were met.

It is submitted that the proposal would not result in any significant adverse effects on the environment, although Meridian accepts the court may conclude that some of the effects on the environment may be more than minor.

Meridian's arguments for the NBTC include the project's importance to securing the supply of electricity to the South Island.

Energy is an essential resource for New Zealand and demand for it is increasing. New Zealand needs to maintain a diverse electricity generation base to maintain security of supply and competitive energy pricing.

Electricity demand growth rates in recent years have been at a higher rate in the South Island than in the North, mostly as a result of rural and forestry developments.

During the winters of 2006 and 2008 the South Island was a net importer of electricity from the North. The NBTC will make a significant contribution to ensuring security of supply in the South Island, even in dry years.

The NBTC would have quantifiable benefits of \$84.7m to \$107.7m a year from electricity generation, and further benefits in avoided greenhouse gas emissions in the range of \$8.4m to \$40m a year, depending on the type of thermal generation displaced by the hydro schemes and the future price of carbon credits.

Meridian will argue that failure to develop a large, renewable electricity generation project will leave the country with little choice but to develop thermal generation options which will in turn crowd out future new renewable options.

Medium-to-large renewable energy projects are needed to keep up with demand for the intervening period before more enhanced energy efficiency actions are able to slow the rate of increase.

The hearing is set to last for three weeks.

Meridian is expected to call 18 witnesses, while the Lower Waitaki Management Society will call nine.