



Road Transport Forum NZ Submission to:

**Ministry of Business, Innovation and
Employment**

on:

**Increasing the use of biofuels in transport:
Consultation paper on the Sustainable
Biofuels Mandate**

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Road Transport Forum (RTF) submission on:

Increasing the use of biofuels in transport: Consultation paper on the Sustainable Biofuels Mandate

1. Representation

- 1.1 Road Transport Forum New Zealand (RTF) is made up of several RTF members that include Road Transport Association NZ, National Road Carriers, and NZ Trucking Association. The affiliated representation of the RTF is some 3,000 individual road transport companies which in turn operate 16-18,000 trucks involved in commercial road freight transport, as well as companies that provide services allied to road freight transport.
- 1.2 The road freight transport industry is 3.0% of New Zealand's gross domestic product (GDP) and it carries 93% of the nation's freight. We employ around 26,000 people and vocational education is of growing importance in our industry due to a shortage of drivers and other workers.

2. Introduction

- 2.1 The RTF provides sector leadership and believes we all need to operate in an environment where the following must be managed and co-exist:
 - 2.1.1 The safety and wellbeing of our drivers and other road users. Our drivers are our most valuable asset.
 - 2.1.2 The impacts of transport on our environment.
 - 2.1.3 The transport of goods by road is economically feasible and viable and it contributes the best way it can to benefit our economy.
- 2.2 The RTF has been participating in government conversations on transport emissions over a prolonged period of time and our most recent substantive formal feedback includes:
 - 2.2.1 Climate Change Commission 2021 Draft Advice (March 2021)
 - 2.2.2 Hīkina te Kohupara - Kia mauri ora ai te iwi Transport Emissions: Pathways to Net Zero by 2050 (June 2021)
- 2.3 The RTF recognises the considerable work done in recent times by the Ministry of Business, Innovation and Employment Hīkina Whakatutuki

(MBIE) and the Ministry of Transport Te Manatū Waka (MoT) on reducing adverse impacts of climate change.

- 2.4 The RTF has a number of policy positions related to transport emissions and modes and these are summarised as follows:
 - 2.4.1 New Zealand's transition to a low or zero carbon emissions economy will occur over the next 30 years. Reducing fossil fuel use by the transport industry is essential for a low carbon economy.
 - 2.4.2 New Zealand's trucks will move to using fossil fuel alternatives once those fuels are available via reliable long-term supply; meet performance standards; and are cost-competitive. Ultimately the market should decide the direction.
- 2.5 Our sector has been proactively working for some time to reduce Greenhouse Gas (GHG) emissions. Initiatives include but are not limited to:
 - Fuel efficient driver-training
 - Reducing aerodynamic drag
 - Speed management
 - Tyre pressure management
 - Scheduling and despatch software solutions to reduce travel.
- 2.6 The predominant lens and scope of our submission are the impacts and risks related to commercial (road freight) traffic and the economy that traffic serves. Therefore, for the purpose of this submission our comments only relate to mineral diesel and biodiesel, the latter being a blend.
- 2.7 Our submission is based on a biodiesel blend of up to a maximum of B7 (7% of 100% biodiesel blended with 93% mineral diesel) and that such a B7 fuel would meet all our current diesel quality specifications. For the remainder of this submission, we will refer to the biodiesel blend we envisage being made available for use in heavy diesel trucks as B7. Where we wish to refer to 100% biodiesel we will use B100.
- 2.8 To supplement this submission the regional trucking associations for which the RTF provides unified national representation may, at their discretion, provide local submissions.

3. Responses to the consultation paper on Sustainable Biofuels Mandate (the Paper)

For the convenience of the reader, immediately prior to our response we have repeated the respective questions in the same order as the Paper. Those questions and quotes from the Paper are in italicised text.

3.1 *Question 1: Do you support having a GHG emissions reduction mandate?*

- 3.1.1 Yes, we support a mandate. For a considerable period of time we have had policy positions supporting a reduction in fossil fuel use and moving to alternatives.

3.2 *Question 2: Do you support the proposal to require certification of lifecycle emissions of biofuels sold in New Zealand using international standards?*

- 3.2.1 Yes, we agree in principle to require certification of lifecycle.
- 3.2.2 A number of factors, such as the feedstock and the processing methodology will impact the actual GHG emission reduction achieved therefore, we agree a lifecycle approach is necessary.

3.3 *Question 3: Do you support applying the Sustainable Biofuels Mandate to all liquid transport fuel?*

- 3.3.1 Yes, we support applying the Sustainable Biofuels Mandate to all liquid transport fuel types.
- 3.3.2 Diesel can be used in the modes of road, rail and shipping although granted the latter typically uses a less refined and lower grade of refined fuel such as fuel oil. We believe all sectors should play their part in reducing their respective adverse impacts on society and environment.
- 3.3.3 Furthermore, it appears to us that the Government currently has strong views on manipulating the modal share between road and rail. Goods freight trains are in essence diesel engines that in turn power electric generators and the vast majority of trucks have diesel engines. Given it already appears it will be challenging to meet our Paris obligations it would seem nonsensical that Government allow one mode over another to continue producing more GHG emissions than necessary.

3.4 Question 4: Are the proposed initial emission reductions percentages for 2023 – 2025 appropriate for New Zealand?

- 3.4.1 Yes, we support the proposed percentages.
- 3.4.2 We understand the targets may pose some challenges to our local fuel suppliers and in the early stages there will be a need for them to import some B100 for blending however, from conversations we have had with the fuel sector we believe the targets are achievable.
- 3.4.3 As mentioned above, some commentators are already concerned that it will be challenging to meet our Paris obligations and we believe and support getting into action on this as soon as possible therefore, we endorse the setting of ambitious targets.
- 3.4.4 To manage the risk of the targets becoming not practicably viable, we recommend MBIE tentatively schedule a review during implementation.

3.5 Question 5: Do you support having single GHG emissions reduction percentages across all fuel types, or do you favour separate reduction percentages?

- 3.5.1 We support a single GHG emission reduction percentage. We do not support different reduction percentages for different fuels. As much as possible all parties should do what they can to reduce GHG.
- 3.5.2 Our understanding is that the proposed single targets are the simplest and most transparent approach.
- 3.5.3 We presume the MBIE analyses underpinning the proposed GHG reduction rates are based around meeting our Paris obligations, therefore, further complicating it by adding targets for each fuel type would increase risk that we do not meet those targets.
- 3.5.4 We acknowledge the risk that different biofuel types have different costs and therefore, fuel suppliers could import the cheapest fuel. However, we believe market forces should drive this, particularly at this initial stage of the journey. In our view this gives the best chance of meeting the targets.
- 3.5.5 It is an issue of secondary order however, we also believe that the additional complexities of separate reduction percentages would invariably result in additional administrative burden for the respective sectors and consequently additional compliance costs

which we believe can be avoided by applying the reduction percentages across all fuel types.

3.6 *Question 6: Do you support provisional emission reduction percentages being set for 2026 - 2030 and 2031 - 2035 with the percentages being finalised in 2024 and 2029 respectively.*

3.6.1 Yes, we agree to the approach of provisional target setting.

3.7 *Question 7: Do you support the proposal that biofuel producers must be certified against an established standard to count toward achievement of the emissions reduction percentage?*

3.7.1 As referred in section 3.2 above we support the proposal to require certification of lifecycle emissions of biofuels sold in New Zealand using international standards. However, we do not support the proposal that biofuel producers must be certified against an established standard.

3.7.2 Rather than require biofuel producers to be certified, we think provided MBIE is satisfied that the information any respective producer provides is true and accurate then that should be acceptable.

3.8 *Question 8: Do you support having a joint fuel industry/government information campaign to inform New Zealanders about biofuels and the Sustainable Biofuels Mandate?*

3.8.1 With the exception of information on the additional costs related to biodiesel, we do not support a joint fuel industry/government information campaign on biofuels.

3.8.2 The current diesel fuel specifications already allow for a biodiesel blend up to 7% therefore, the change to 100 percent mineral diesel is relatively minor. On that basis, a campaign is unnecessary and adds little if any value and presumably, adds cost.

3.8.3 Ultimately the power of this mandate is that our fuel supply will be changed so that a minimum volume reduces GHG emissions. That GHG reduction will occur regardless of any government information campaign therefore, contributing public money to any such campaign is unnecessary and wasteful.

3.8.4 We envisage that the industry, particularly the fuel companies importing and producing biodiesel, may have different approaches

to how they meet their respective obligations of this mandate. Therefore, information campaigns are best left to the commercial interests in the industry as this is not an area where government has any expertise.

3.9 Question 9: Do you support the labelling proposal that informs consumers about specific biofuels at the point of sale?

- 3.9.1 For similar reasons we have outlined in section 3.8 we do support mandatory labelling and instead, recommend that be left to the fuel suppliers and resellers in the industry.

3.10 Question 10: Should New Zealand try to overcome the challenges that domestic biofuel producers face in maintaining access to affordable supplies of domestically produced feedstocks?

- 3.10.1 No, we do not believe New Zealand should intervene in domestic biofuels producers' access to feedstocks.

- 3.10.2 We agree that international demand could make the markets challenging however, we think the prospects of New Zealand government being able to meaningfully influence those supply markets is low and would also introduce other risks.

- 3.10.3 We believe the price of feedstocks is best left to market forces.

3.11 Question 11: Do you think the minimum threshold for compliance of 10 million litres of transport fuel in a calendar year in New Zealand is appropriate?

- 3.11.1 For the reasons below we agree with this pragmatic minimum threshold approach:
- We consider those suppliers dealing with volumes less than 10 m litres to be relatively insignificant.
 - If the threshold was not applied to all suppliers of significance we could miss out on reducing emissions as much as would appear reasonably practical.
 - As far as is reasonably practical this approach ensures all parts of sector using diesel can contribute to the reduction.
 - Given there will be a price premium between biodiesel and mineral diesel, we believe that not applying a minimum

threshold across all suppliers of significance would create an unlevel playing field between suppliers.

3.12 Question 12: Do you agree with the method for calculating a supplier's GHG emission reduction?

3.12.1 We have no comment on this as we are not a fuel supplier.

3.13 Question 13: Do you think the annual reporting regime, including its offences and fines, is practical and appropriate?

3.13.1 With the exception of our comment in 3.11 above we will leave further comment on the details of reporting to those parties directly affected.

3.14 Question 14: Do you support the performance of fuel suppliers being published to enable consumers to reward the industry leaders in reducing GHG emissions?

3.14.1 We believe government should leave it to the industry to communicate with the market on how it is tracking and performing.

3.14.2 We do not support government promoting one fuel supplier over another, or any attempts to control or manipulate the market.

3.15 Question 15: Will the proposed penalties encourage fuel suppliers to achieve the required emission reductions? If not, would level should they be?

3.15.1 We do not know if the proposed penalties will be sufficient and we believe time will tell.

3.15.2 We believe MBIE should be regularly tracking progress of the fuel suppliers on meeting their obligations and tentatively plan to intervene if required, including reconsidering the penalties.

3.16 Question 16: Do you support the proposal for fuel suppliers to defer achieving their emissions reductions for years 1 and/or 2, in full or in part, to the following year?

3.16.1 We have seen that biodiesel can be supplied, and in some cases it is currently being provided locally. It is also available in international markets and for several years parts of Europe have required a minimum percentage of sales to be biodiesel. We

therefore believe that biodiesel is a feasible and viable proposition, albeit with some challenges. On that basis we do not support any suppliers being given a deferral as we believe that will only lead to us becoming further behind and place greater risk that we do not meet our Paris obligations.

3.17 Question 17: Do you support fuel suppliers banking any surplus emissions reductions in a year and using it to reduce the percentage needed to be achieved the following year?

3.17.1 We do not support fuel suppliers banking surplus reductions and using that to reduce obligations in a following year because that increases the risk of us not meeting our Paris obligations.

3.18 Question 18: Do you support fuel suppliers borrowing for shortfalls in emissions reductions in a year, and making the shortfall up the following year?

3.18.1 We do not support fuel suppliers borrowing for shortfalls in emissions reductions and making the shortfall up the following year because that increases the risk of us not meeting our Paris obligations.

3.19 Question 19: Do you agree with the proposal to allow trading through the use of entitlement agreements?

3.19.1 We do not support trading of entitlements because we want as much certainty and consistency as possible to be provided across the fuel suppliers.

4. Summary

4.1 As we stated in our earlier submission related to GHG reduction, we believe the Government's approach to date, and particularly its lack of tangible action, creates an environment of uncertainty in our sector. The Government should be more decisive and fast acting in enabling tangible progress on reducing GHG.

4.2 We have previously pointed out to government that biodiesel is a solution that could and should be available because it can be used with the mainstream powertrain technology in our sector and it has been used in parts of Europe for several years.

- 4.3 Confirming our views, the Climate Change Commission has recently acknowledged that there has not been sufficient progress anywhere in the world to identify a realistically effective replacement power train to the current diesel engine for trucks.
- 4.4 Biodiesel is a simple drop-in solution with guaranteed and significant reduction in CO₂ emissions for every litre of fuel used. For example, a B5 blend of biodiesel reduces CO₂ emissions in the order of 5 percent. Our sector wants to play its part in reducing emission however we need the means to do that and biodiesel is one of the best short-term solutions to achieve that.
- 4.5 The costs associated with biodiesel will be higher than mineral diesel and as referred in section 3.8 above, we urge Government to ensure that public and users of transport services are aware that fuel is essential to the movement of freight and the higher costs associated with reducing GHG must be passed on.
- 4.6 RTF welcomes ongoing discussion with Government and its advisors on reducing emissions. We believe we can add considerable technical and policy expertise to Government thinking and we urge it to work more closely with us so we can get into action much more quickly and reduce emissions.
- 4.7 The RTF believes the Government can support a range of alternative fuel options without trying to manipulate the market and that the public respond better to change when there is choice, not coercion.