

8 July 2022

Ministry of Business, Innovation and Employment

Defence House,

15 Stout Street,

Wellington, 6011

## THE SUSTAINABLE BIOFUELS OBLIGATION: PROPOSALS FOR REGULATIONS

### Tēnā koe

KiwiRail Holdings Limited (KiwiRail) welcomes the opportunity to submit feedback on the Ministry of Business, Innovation and Employment's recent consultation document, *The Sustainable Biofuels Obligation: proposals for regulations*.

KiwiRail supports New Zealand's transition to a net-zero economy

KiwiRail is committed to achieving net-zero carbon emissions by 2050 and has established the same objective as the Government in our sustainability strategy. As a commercial enterprise operating throughout New Zealand, we have a unique role to play in enabling ongoing improvement in the emissions performance of our rail and inter-island operations and, through this, the transport sector. It is important we continue to build on our natural advantage as a low emissions transport solution by identifying opportunities to reduce our consumption of fossil fuels and support further modal shift to rail. This will support a lower carbon future for New Zealand.

KiwiRail stated our supportive position during the consultation of the *Increasing the use of biofuels in transport: consultation paper on the Sustainable Biofuels Mandate* paper in July 2021. Specifically, "KiwiRail broadly supports having a Greenhouse Gas (GHG) emissions reduction mandate as an end-user and KiwiRail is open to investigating the use of biofuels where suitable and feasible." In our submission, we also highlighted some potential challenges which may limit the use of biofuel in some of KiwiRail's fleets including cost, supply, quality, and blend. KiwiRail is keen to ensure these potential challenges can be overcome so that we can continue to support New Zealand's freight and supply chain network to be more sustainable and efficient.

Key considerations and limitations for the use of blended fuels

As an end-user of the fuel being mandated, we have prepared a response highlighting some key considerations for the obligation. These are to understand how assurance on biofuel quality can be guaranteed, and the limitations we may encounter with different engine specifications as determined by Original Equipment Manufacturers (OEMs).



While the provisional emissions reduction intensity targets set out in the obligation should be manageable with the respective biofuel blend, achieving beyond these targets could be challenging **for some of KiwiRail's assets**. The main limitation we encounter is existing engine **specifications, which are beyond KiwiRail's (and more broadly New Zealand's) control since we** have limited influence on Original Equipment Manufacturers (OEMs).

Though there are currently few OEMs that can provide assurance for the use of higher blended fuels, we are optimistic of the future manufacturing of new engines that will be able to take higher blends. This is due to global efforts to reduce GHG emissions to mitigate the impacts of climate change. Therefore, the timeframes proposed in the consultation document appear to provide adequate time for the OEMs to adapt.

Looking forward, KiwiRail has already engaged with some OEMs of locomotive engines to understand what may be achievable to transition to using biofuel. While supportive in principle at lower blends, challenges with quality and shelf life were some of the common themes that came from that engagement.

Therefore, irrespective of blend, KiwiRail would welcome an appropriate standard guaranteeing quality (alongside other requirements such as sustainability) which will allow OEMs to approve their engines for using increasing biofuel blends. This will ensure continuity in the product supplied and give us confidence that engines across our fleets will be able to use increasing blends without any adverse effects on the engine or fuel systems, or potentially compromising the performance, maintenance, or warranties of our assets. Understanding how this assurance will be provided and communicated should be made clear through the obligation.

KiwiRail is currently considering alternatives to traditional diesel fuelled locomotive engines

KiwiRail is progressing an Indicative Business Case (IBC) on fleet decarbonisation. The IBC will help inform our future fleet procurement strategy, to continue the decarbonisation of our rail operations and to provide options for further investment to support and accelerate modal shift. Alongside different motive power technologies, we will also be considering the need for low emissions liquid fuels such as biofuels as part of this work.

As well as locomotives, KiwiRail operates other assets which currently use fossil fuels and would also end up using biofuel under the obligation. These include our Interislander ferries, track assets and vehicle fleet. The extent to which these different assets can uptake biofuel at higher levels may vary. Where possible, we want to ensure that these assets can run on biofuel going forward and this is now also a consideration in selected procurement processes for new assets. Given some of our assets are currently nearing the end of their useful lives and/or assets that are often stationed remotely with low utilisation, consideration should also be given to how they will be impacted by the obligation and whether they could continue to operate using biofuel without any negative effects. The risk in these types of assets will be the fuel shelf life, and potential for clogged fuel systems if they go for periods of time not in operation.



## Concluding remarks

KiwiRail would welcome an appropriate standard guaranteeing quality (alongside other requirements such as sustainability) which will allow OEMs to approve their engines for using increasing biofuel blends.

This removes limitations and enables the uptake of low-carbon fuels to support our national decarbonisation journey.

Thank you for the opportunity to participate in this consultation. KiwiRail is available to discuss this submission should this be required.

If you have any queries or wish to discuss this submission, please contact us via:

- Arthur Ung, Senior Policy Analyst, at [REDACTED], and
- Michelle Main, Sustainability Manager at [REDACTED]

