



MTA Submission

To the Ministry of Business, Innovation & Employment on the Regulations Proposal for the Sustainable Biofuels Obligation

July 2022

Dear Sir / Madam

Submission: Regulations Proposal for the Sustainable Biofuels Obligation

This submission is from:

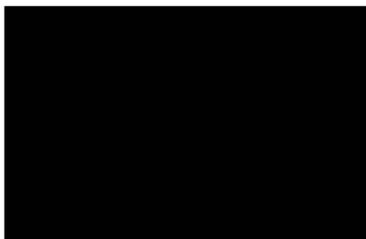
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The contact person in respect of this submission is:

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Thank you for the opportunity for MTA to provide comment on increasing the use of biofuels in transport regarding the views of and its effect on the automotive industry.

Yours sincerely,



Withheld under section 9(2)(a)

Greig Epps
Advocacy & Strategy Manager

Introduction

The Motor Trade Association (Inc) (MTA) was founded in 1917 and in 2017 celebrated 100 years of trust with the NZ motoring community. MTA currently represents approximately 3,800 businesses within the New Zealand automotive industry and its allied services. Members of our Association operate businesses including automotive repairers (both heavy and light vehicle), collision repair, service stations, vehicle importers and distributors and vehicle sales. The automotive industry employs 57,000 New Zealanders and contributes around \$3.7 billion to the New Zealand economy.

This submission is predominantly written with MTA's 927 service station members in mind (representing 71 per cent of the retail fuel sector).

The service station segment of our membership will be most impacted by a biofuels mandate, however there will be ancillary effects on our repairer members (needing to address any engine issues with the use of biofuels and ensuring that skills and parts are available to convert older engines). As well, our dealer members will need to ensure that customers are fully aware of the level of biofuel compatibility of any vehicle purchased.

Submission

MTA welcomes this consultation on increasing the use of biofuels in transport. We want to ensure the industry can innovate and diversify in a way that New Zealand can leverage all available low emission technologies and work towards a 'net' zero emissions future.

In its submissions on increasing the uptake of Electric Vehicles, MTA has noted that EVs are the silver bullet or single solution to reducing carbon emissions from transport. As stated in the July 2021 consultation document on biofuels, electrification of our light vehicle fleet will not happen fast enough and alternatives, such as biofuels, must be explored.

We recognise the need for pragmatic action to address climate change and that our sector has a key role to play to achieve targets. Co-ordinated action is key to achieving New Zealand's zero carbon targets.

We provide here a general response to the consultation paper:

- **Listen to industry**
 - On the face of it, the calculations for meeting the obligations seem to stack up. However, MTA is aware of at least one supplier who is concerned that the blend needed to meet the carbon reductions may be incompatible with some vehicles (that is, greater than E10).
 - MTA urges MBIE to ensure that fuel suppliers can mimic the calculations from Annex One in the "real world" and that the obligation will not be onerous to meet.

- We reiterate our comments from last year’s consultation:
 - **There needs to be ongoing and meaningful consultation with fuel suppliers** to ensure the proposed percentages are feasible. [*emphasis added*]
- **Is there time to do this?**
 - A transition is a progressive move from one state to another.
 - The start date of 1 April 2023 is approaching quickly. Will the necessary infrastructure be in place? Will the necessary supply arrangements be settled?
 - How does the start date impact on existing supply arrangements?
 - If we start too soon, we may doom the sector to a failure spiral as penalties are imposed each year for missing targets set in stone too soon.
 - MTA noted in its submission in 2021 that care would be needed in setting reduction targets too far out into the future.
 - We would recommend a start date in 2024 and a year of reporting only (no penalties). At the very least, penalties in the first year or two should be reduced in recognition of the uncertainty around implementation.
- **The cost of change**
 - Do the public understand the cost implications of this move? With current commodity prices, the Government has temporarily reduced the Fuel Excise Duty (FED) by 25 cents. If that FED is restored, and inflation continues to remain well above recent norms, will consumers be able to afford the new fuel blends?
 - Related to the above, we can’t expect prices for biofuel feedstock to remain at current levels. Increased demand for feedstock will lead to increased prices¹.
 - While some infrastructure might be repurposed, there will be a cost to establishing the infrastructure needed to distribute biofuel blends. While most vehicles should be able to run on a blend, some suppliers may find it necessary to maintain an unblended option for vehicles such as marine craft.
 - The industry has recently gone through costly upgrades to price-boards to display all fuel grade pricing. We expect further signage and infrastructure changes will be needed.
- **Educate the industry and the public**
 - At the same time, it is essential that the industry and the public are properly and fully informed of the impacts that these changes will have on them.
 - In MTA’s view, such an information campaign would need to be carefully crafted – being clear about why it is being done, what is the message, and how is the impact of the campaign measured.
 - Given the possible impact on older vehicles and small engines (lawnmowers, marine engines, etc), adequate labelling and explanatory information will be needed to reduce the chance of fuelling mistakes.

¹ We saw this with the introduction of the Clean Car Discount rebate for electric vehicles. Within a day of the rebate being announce in July 2021, the price of used EVs in the Japanese auctions went up by about the same amount as the rebate.

- As with most consumer information, there is heavy reliance on the consumer being knowledgeable enough to make an informed decision. Any labelling relating to specific biofuels needs to be clear and easily understood in relation to the vehicle being fuelled. If biofuels offered are compatible with all vehicles, then labelling is not required, and it may be more appropriate to identify that the fuel has a lower emission output and incentivise (price) the wider use of this fuel.
- It is our understanding that some small engine equipment (motorcycles, lawnmower, marine outboard motors etc) can't run on ethanol blended fuel so the mandate would need to consider the impact on these consumers.
- This work has been done – look for the “Working with E10” guide produced by EECA around 2008.

MTA appreciates the opportunity to submit on the sustainable biofuels obligation.



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