



26 July 2021

Energy Markets Policy
Building, Resources and Markets
Ministry of Business, Innovation and Employment
PO Box 1473, Wellington 6140
New Zealand

Via email: energymarkets@mbie.govt.nz

Consultation: Sustainable Biofuels Mandate

Please find attached Gull New Zealand's (Gull) submission on the proposed Sustainable biofuels mandate.

In addition to the responses to questions Gull would like to emphasise the following points.

Thank You

Gull needs to note a voice of support and a "thank you" for proposing a biofuels mandate.

Aotearoa needs to take urgent action to reduce Green House Gas (GHG) emissions, and we agree that this must happen in the transport sector. The Climate Change Commissioners report has recommended a major focus on changing the fleet for both light and heavy vehicles and on re-thinking how we, as Kiwis, transport ourselves and our goods.

The key issue is that there is significant debate as to the role which electric vehicles (EV's) will play in the decarbonisation of the transport fleet, whether there are sufficient right-hand-drive EV's to make the change that is needed, whether they are affordable and are we as a society prepared to fundamentally alter our lifestyle and how we move about.

It is also important to note that the fleet is traditionally very slow to renew, and heavily influenced by factors outside of the control of Aotearoa. Importantly, biofuels cut away much of this debate and provide a more efficient solution in the near term for the existing fleet.

Further "thank you", Gull commends the conceptual design of the system which has been detailed in the consultation paper.

We have been in contact with international parties regarding the proposal and received feedback from others. Their comments have been that the mandate concept detailed within the consultation paper has a framework which is designed to work and to drive compulsion.

New Zealand needs to take action on GHG emissions now, and crucially biofuels are significantly more expensive than any mineral fuel therefore no consumers will use them without subsidy or an *effective* mandate or both.

Biofuel mandates that do not drive compulsion or where exemptions are readily obtained will result in limited uptake of more sustainable alternatives. We believe that this proposal will drive the use of biofuels and will thus reduce GHG emissions from the existing fleet and can do so right now.

Tone

In addition to the accolades above, Gull notes it was disappointed with the tone of the discussion document. Gull found the document decidedly down beat: for example *“only used in low level blends”* ; *“domestic production has decreased”* ; *“limited by blend walls”*; *“market wary of biofuel”*; *“withdrew a biofuel blend”* ; *“hibernated its plant”*.

Gull did not hear good news in the document especially in terms of how we can all make a difference to reduce emissions now. No mention of the successful use of ethanol over many years and little mention of the existing ethanol excise exemption.

Where is the simplicity of the proposal to give consumers confidence and useful information on how biofuels work now and have been in use for years? This needs to be key to the Governments communication as this legislation progresses so that people can start to reduce emissions as part of addressing climate change. The narrative around biofuels is not understood for example the fact that biofuels have been in use for some time:

- Biofuels have been around since Rudolf Diesel invented his engine in the mid 1800’s and Henry Ford designed the Model T to use ethanol as a fuel.
- Biofuel blends have been successfully and continually sold at retail in New Zealand since 1 August 2007.
- Last month an estimated 250,000 kiwi motorists happily (very probably unknowingly) used a biofuel blend in their daily commute.
- This is an action the country can take now with the existing vehicle fleet to support emissions reduction.

Biofuels are a simple, clean fuel that reduces carbon and they have been used for years and they are in use now. Biofuels power Mum and Dad Kiwi’s most valuable asset, besides the family home, and when expanded will enable everyone that uses transport to begin the transition to lower carbon emissions. When dealing with consumers lifestyle and their means of transport as their prized possessions, we believe that Government needs to be positive and note simplicity.

There will be enough resistance to change from interest groups. Please can Government communication be positive and not feed the arguments of the nay-sayers.

Cost for the consumer will increase

Going forward the message of cost needs to be communicated clearly and unequivocally by Government:

- Biofuels are not in wide use because they are more expensive to produce than imported mineral fuels,
- a mandate requiring their sale is therefore required to reduce GHG emissions.
- Unfortunately, this will increase prices for the motorist.

Government must also confirm what measures it is taking to soften the impact of this cost for the motorist.

This is not something which can be legislated and then left to its’ own momentum to succeed or fail. Government must play a crucial, and often vocal, role in the education of consumers as to the benefits and effects, including costs, which this mandate could have. The alternative is that

consumers will not have confidence in the product or the outcomes which the Government want to achieve and the mandate could fail.

Ethanol Excise Exemption

Gull believes that ethanol will be a major initial contributor to the biofuels mandate for all industry participants.

However, the discussion document is almost silent on this existing exemption. Without this exemption Gull would not have been able to bring ethanol blended premium petrol to the New Zealand market for the last 14 years.

The mandate will require hundreds of millions of litres of biofuel to be used for transport needs; fortunately industry is already making plans to comply. These plans require some certainty on the existing fuel ethanol excise exemption. Please can government confirm a plan, silence is not acceptable for industry planning or certainty nor for determining the impact on consumers income.

Please don't reinvent the wheel

The 2008 mandate is a complete piece of work, it was in law and thus is the basis for faster than usual legislative process. EECA has labelling options along with well detailed and valid research to support biofuels. The existing fuel quality specifications has labelling requirements for biofuels.

Unnecessary or more consideration in the bureaucratic or political process is not needed and will only delay finalisation of the legislation. This will delay industry response and investment, further push back the use of biofuels and the reduction in GHG emissions across many modes of daily transport.

Surety for investment

The proposed mandate will require hundreds of millions of litres of biofuel to be blended into the existing fuel distribution and infrastructure system. This will require significant investment by the industry. In Gull's view this will require at least tens if not hundreds of millions of dollars of investment as a broad indication across the whole industry.

This size of investment will require payback over many years. Government giving surety to the mandate by enacting it early will make a significant difference. In addition, presenting a cross party view to the future will assist industry to invest for the long term rather than look to meet a short term requirement in case the mandate is repealed or reduced because of a political change arising from the democratic three year cycle .

Legislative Process

Gull has been extremely disappointed with political process and timeframes and the disregard regard that Government has shown for the industry in recent years. The main examples are:

- Regulations for the Auckland Regional Fuels Tax were released on a Thursday and came into effect on the following Sunday at 12:01am.
- Regulations under the Fuels industry Act were available on 9 July this year when they are coming into effect on 11 August 2021.

Neither are acceptable timeframes for finalising how business will respond to the effects of the legislation. Industry is compelled to comply with legislation, and in return it would be reasonable if government paid industry the courtesy of delivering final legislation well in advance of it becoming

law. Frustratingly, neither of the above laws had final regulation pass through a full select committee process with detailed review.

Contrast the above with the 2008 biofuels mandate. This passed through a full select committee process and it is our understanding that the final legislation was released in August but became effective in the following January. This timeframe enabled the industry enough time to set final plans in line with the final known and concrete regulation.

Gull notes that our attached submission and this covering letter are available for discovery under the OIA or publication along with other submissions as this legislation progresses.

Naturally we are available and keen, as the largest and longest standing biofuels player in the New Zealand market, to be involved in further consultation as this legislation progresses.

Yours sincerely

Privacy of natural persons

