



P O Box 38 896
Wellington Mail Centre
Lower Hutt 5045
New Zealand
www.foodstuffs.co.nz

28 February 2022

Energy Markets Policy
Building, Resources and Markets
Ministry of Business, Innovation & Employment
WELLINGTON

Sent by email: energymarkets@mbie.govt.nz

Dear Sir/Madam

Submission on Onshore Fuel Stockholding consultation paper

This submission is made by Foodstuffs (NZ) Limited on behalf of Foodstuffs North Island Limited and Foodstuffs South Island Limited, which are 100 per cent New Zealand owned retailer co-operatives. The regional co-operatives jointly own Foodstuffs (Own Brand) Ltd, which manages Foodstuffs' portfolio of private label brands, and Foodstuffs (NZ) Limited (Foodstuffs), which represents the co-operatives interests in national policy and input on public policy matters.

The Foodstuffs co-operatives own and develop retail stores which are franchised to co-operative members. Our retail brands include PAK'nSAVE, New World, Four Square, Raeward Fresh, On-the-Spot, Henry's Beer Wine and Spirits, and Liquorland. We have large transport operations, primarily servicing secondary freight to member stores. While Foodstuffs is also a reseller of fuel, the focus of our comments in this submission are primarily with regard to our transport operations.

Foodstuffs welcomes the review of New Zealand's onshore fuel stockholding and the proposal to mandate minimum onshore fuel holdings. With the impacts of the Covid-19 pandemic Foodstuffs has had first-hand experience of the fragility of the supply chain system and the impact of this to the New Zealand householder. We support the views in the consultation document that, while hopefully not likely, New Zealand's fuel supply could be impacted by unpredictable events (such as extreme weather, natural disasters, geopolitical conflicts and pandemic related events) and the consequences could be dire for businesses and consumers alike.

It is imperative that the government takes steps to improve New Zealand's ability to withstand a fuel supply disruption. Security of fuel supply is critical to Foodstuffs business continuity. The consultation document acknowledges that the consequence of depleting all domestic fuel stocks would be severe, as food distribution could be severely constrained and there could be shortages on supermarket shelves. A shortage, or rationing, of diesel fuel would cause significant disruption to Foodstuffs business as we primarily use heavy vehicles to move goods to member stores.

Foodstuffs is taking steps to reduce its transport based carbon emissions and reliance on diesel fuel, however, there are complexities in decarbonising the heavy vehicle fleet. Electrification of heavy trucks is not a simple solution to decarbonisation. Foodstuffs is trialling the use of electric

trucks. However, these trucks are not suitable for long haul freight and careful route planning is required to allow for charging. We envisage it will be some years before electric trucks are a viable solution. Foodstuffs is currently involved in a hydrogen truck trial to assess the feasibility of this technology. However, once again, we envisage that we are some years away from full commercialisation of this technology. In the circumstances, we will continue to rely on diesel for our supply chain operations for the medium-term future.

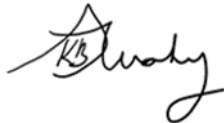
Increased resilience in fuel supply is desirable. Foodstuffs supports the proposal to require a minimum onshore fuel holding, with a focus on diesel (and sustainable biofuels), as supply continuity is critical in our ability to distribute food and for New Zealand to maintain other essential services. However, we are conscious that an increase in stockholdings would likely require increased investment in infrastructure with flow on costs through the supply chain. This would result in increased prices of goods for consumers, when they are already facing significant inflationary pressures. We recommend government works through the detailed costings with the fuel industry to find the optimal level of stockholdings, balancing resilience and cost.

Foodstuffs supports the recommendation that any obligations for onshore fuel holdings should be mandated at the wholesale supplier level. As raised in the discussion document, this is similar to the point of obligation for the fuel sector under other policies, such as the Emissions Trading Scheme and the soon to be introduced Sustainable Biofuels Mandate. It is appropriate to set the point of obligation as close to the top of the supply chain as possible. Additionally, as a reseller of fuel, we do not have the infrastructure to maintain any fuel holdings beyond inventory for retail sale.

While it may be outside the scope of this consultation, we take the opportunity to note our support for the proposition that, should there be an unforeseen event, prioritisation of fuel should cover critical functions such as food distribution.

Thank you for the opportunity to provide feedback on the consultation.

Yours sincerely



Sarah Tuohy
Public Policy Manager