

1 July 2022

Firstgas Group
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Paul Stocks
Deputy Secretary
Ministry of Business, Innovation and Employment
PO Box 1473
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Sent via email: energymarkets@mbie.govt.nz

Dear Paul

Sustainable Biofuels Obligation

Firstgas Group (Firstgas) welcomes the opportunity to comment on the Ministry of Business, Innovation and Employment's (MBIE) consultation on the Sustainable Biofuels Obligation (SBO). Overall, we are supportive of the SBO and how it will assist New Zealand in meeting our net zero emission target.

While Firstgas is not directly impacted by the SBO, we are interested in the principles that MBIE will apply in the design of the SBO. We consider that the development of a similar policy instrument—a renewable gas mandate—would help meet Aotearoa's emission budgets. Therefore, we consider a well-designed SBO can set a helpful precedent for other sectors. Our submission focuses on two key areas and recommends that:

- Any Liquid Petroleum Gas (LPG) and Compressed Natural Gas (CNG) used in transport be explicitly excluded from the SBO
- The principles of the waste hierarchy are applied with suitable flexibility.

For more information about Firstgas Group's businesses, refer to **Attachment 1**.

Explicitly exclude LPG and CNG used in transport from the scope of the SBO

Firstgas recommends that LPG and CNG should be explicitly excluded from the scope of the SBO.

With the current drafting, there is uncertainty around whether LPG and CNG could inadvertently be included in the proposed SBO. The 2021 Cabinet paper simply recommends that the "mandate apply to all liquid fossil fuel for transport produced in New Zealand or imported into New Zealand."¹ We observe that small volumes of LPG and CNG are currently used to fuel a small proportion (at most, 0.03%) of the light vehicle fleet.²

We believe that it is not MBIE's intention to include LPG and CNG within the scope of the SBO. Both LPG and CNG are gases at the point of combustion, therefore are not liquid fuels when in use for transport. In addition, the 2021 consultation paper³ and the 2021 Cabinet paper⁴ make no mention of

¹ Paragraph 3 of 15 December 2021 Cabinet paper [Sustainable Biofuels Mandate: final policy design](#)

² Ministry of Transport data does not classify LPG or CNG vehicles separately. The category of 'Other' is 0.03% of the light vehicle fleet. Refer page 7 of [Annual fleet statistics 2020](#)

³ MBIE's [Increasing the use of biofuels in transport: consultation paper on the Sustainable Biofuels Mandate](#)

⁴ Cabinet paper [Sustainable Biofuels Mandate: final policy design](#)



LPG or CNG. The 2021 consultation paper only lists the emissions factors for six different biofuels relative to gasoline and diesel. None of the biofuels listed are substitutes for LPG or CNG.

We believe that a renewable gas mandate would be a more appropriate policy instrument for improving the emissions intensity of LPG and CNG. It is encouraging that the Minister of Energy and Resources has advised government officials to consider a renewable gas mandate as a possible intervention in the Gas Transition Plan.⁵ We note that if the SBO is successful at incentivising domestic production of biodiesel, then this could be a source of bioLPG (as a by-product of biodiesel) in future years.

Recommendation: MBIE should draft the legislation to clearly exclude LPG and CNG from the scope of the SBO.

The principles of the waste hierarchy are applied with suitable flexibility

Firstgas agrees with the principles of the waste hierarchy discussed in the consultation document. However, we consider that the principles should be regarded as a valuable guide, rather than an implementable set of rules, for assessing the relative merits of competing investment decisions.

The consultation paper states that “Cabinet agreed that feedstocks should be consistent with the principles of the waste hierarchy”⁶ and includes a six-tier waste hierarchy that was previously published by the Ministry for the Environment (MfE). We note that there are other versions of the waste hierarchy to that discussed in the consultation paper. In addition, some feedstocks can be used in more than one tier of the waste hierarchy, so defy simple classification. Given this, we consider any assessment against the principles of the waste hierarchy should be done with a flexible and whole-of-lifecycle analysis.⁷

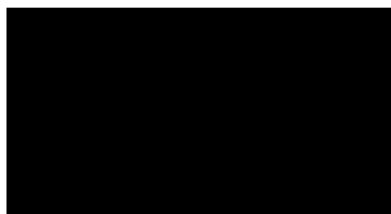
Recommendations: MBIE should continue to design the SBO to be cognisant of the principles of the waste hierarchy, but not to the extent that it requires rigid adherence to the hierarchy.

Contact details

Firstgas Group is available to discuss any of the points we have raised in our submission. If you have any questions, please contact Callum McLean, Senior Policy & Government Affairs Advisor, on

██████████ or via email at ██████████.

Yours sincerely



Withheld under section 9(2)(a)

Karen Collins
Regulatory and Policy Manager

⁵ Paragraph 12 of 9 June 2022 Cabinet paper [Managing the phase out of fossil gas and opportunities to repurpose infrastructure for renewable gases: report back and proposed next steps](#)

⁶ Section 3.4 of the consultation paper.

⁷ Part A of [Government Expectations for Good Regulatory Practice](#) sets out that regulatory systems should be “flexible enough to allow regulators to adapt their regulatory approach to the attitudes and needs of different regulated parties, and to allow those parties to adopt efficient or innovative approaches to meeting their regulatory obligations”



Attachment 1 About Firstgas Group

Our vision is to lead the delivery of New Zealand's energy in a changing world. Our mission is to safely and reliably deliver energy that's affordable and accessible to Kiwi families and businesses. We're really proud of this and of the important role we play in Kiwis' lives.

Firstgas Group is an organisation consisting of Rockgas, Firstgas, Flexgas and Gas Services NZ. Firstgas and Rockgas are consumer brands that supply LPG and natural gas to over 500,000 customers through gas distribution channels that consist of over 2,500 kilometres of high-pressure transmission pipeline and 4,800 kilometres of distribution pipeline in the North Island, 36 local LPG suppliers, and over 180 LPG bottle fill locations across New Zealand.

Flexgas and Gas Services NZ are energy storage, operations and maintenance providers who make sure gas can be delivered safely and continuously. Flexgas operates the Ahuroa gas storage facility in Central Taranaki. Gas Services NZ provides operational and maintenance support to all gas infrastructure owners, including the businesses within Firstgas Group.⁸

New Zealand's homes have benefited from having a choice of energy sources to meet their household needs. Currently there are over 500,000 households in New Zealand who enjoy natural gas and LPG in their homes, predominantly using gas for cooking, instant hot water, and heating.

Firstgas is investigating opportunities for using our assets and skills in ways that help to reduce New Zealand's carbon emissions. Our gas transmission and distribution networks cover much of the North Island and are ideally placed to support the development, transfer, and use of emerging fuels such as hydrogen and/or biogas. Our LPG network is the most extensive in New Zealand and can integrate fuels with lower emissions that can be sourced from new production plants in New Zealand or from overseas.

We are one of approximately 60 infrastructure businesses owned by Igneo Infrastructure Partners.⁹ Igneo manage investments of approximately US\$15 billion on behalf of their clients. Igneo are a signatory to the Principles for Responsible Investment¹⁰ that incorporate environmental, social and governance issues into investment practice.

Firstgas

rockgas

Flexgas

gas services nz

⁸ For more information about Firstgas Group, visit www.firstgas.co.nz, www.rockgas.co.nz, www.flexgas.co.nz

⁹ Website: <https://www.igneoip.com> Igneo is part of the First Sentier Investors Group which is ultimately owned by Mitsubishi UFJ Financial Group Incorporated.

¹⁰ Website: <https://www.unpri.org/>