

**SUBMISSION ON INCREASING THE USE OF BIOFUELS IN
TRANSPORT: CONSULTATION PAPER ON THE SUSTANABLE
BIOFUELS MANDATE**

JUNE 2021

INTRODUCTION

Fulton Hogan

1. Fulton Hogan has almost 90 years' experience in the transport, water, energy, rail, natural resources and land development infrastructure sectors in New Zealand, Australia and the South Pacific. It is one of New Zealand's leading roading and infrastructure construction companies and is proud to be designated 'New Zealand Made'. The company is also involved in sustainable fuel production, through the 100 percent owned subsidiary GreenFuels®. We use GreenFuels® bio-diesel to power our vehicles, plant and we make it available to a select group of customers.
2. Fulton Hogan undertakes numerous activities across New Zealand, including:
 - (a) Gravel extraction, both within riverbeds and within land-based quarries/pits;
 - (b) Hard rock extraction from land based quarries;
 - (c) Aggregate processing and storage;
 - (d) Land use and infrastructure development and maintenance activities, either directly or on behalf of third parties (including roading contracts for the State Highway on behalf of Waka Kotahi NZ Transport Agency, and local roads on behalf of territorial authorities);
 - (e) Asphalt and bitumen manufacture and bulk storage;
 - (f) Pre-cast concrete manufacture and storage;
 - (g) Hazardous substance use, transport and storage; and
 - (h) Workshops, transport depots, storage yards, staff offices, and supporting infrastructure (including wastewater, storm water, and potable water).
3. Our 2021-2025 Environment and Sustainability Strategy includes a commitment to reduce our diesel consumption by 17% over these five years.

FULTON HOGAN'S SUBMISSION AND CONTEXT

Questions –

1. ***Do you support having a GHG emissions reduction mandate? If not, why?*** Yes. We support a mandate. In fact, we support a nationwide *incentive* to reduce emissions – a position outlined in our recent submissions to the Climate Change Commission and Phasing out Fossil Fuels in Process Heat.
2. ***Do you support the proposal to require certification of lifecycle emissions of biofuels sold in New Zealand using international standards? If not, why?*** We support the implementation of regulation to ensure consistent, accurate and reliable methods of assessing lifecycle emissions of biofuels. Using an established international certification system or systems would ensure a level

playing field for manufacturers, importers, and certainty for consumers. What needs to be clearly understood is the *total* cost of certification and any impacts on production costs to ensure that we do not place increased burden on an already challenged industry. Any unacceptable feedstocks that are known to adversely affect global sustainability should be clearly stated.

3. ***Do you support applying the Sustainable Biofuels Mandate to all liquid transport fuel? If not, why?*** We generally support this, recognising that, at some level, technology is available to produce all required liquid biofuels. However, that is currently constrained by access to consistent feedstock and the necessary research and development to commercialise. We believe the legislation needs to account for a reasonable transitional pathway for various sectors. This reflects, among other things, the availability and economics of appropriate (sustainable) feedstocks, and the relatively early-stage of the development of vehicle technology and biofuel manufacturing in New Zealand. We support the mandate being applied to all liquid transport fuels, including both locally manufactured and imported fuels, recognising that New Zealand needs a strong onshore production capability to ensure a resilient fuel supply to insulate against future global shocks to the supply chain (e.g. pandemics). The focus of this discussion is on transport, but as a large process heat fuel user, we ask why this mandate could not also cover other potential biofuel users.
4. ***Are the proposed initial emission reduction percentages for 2023–2025 appropriate for New Zealand? If not, what should they be?*** From the perspective of the scale of current biofuel production and capabilities within New Zealand, the proposed reduction percentages are appropriate. However, given the significant discussion on climate and GHG reductions, we would like to know if proposed emission reduction percentages align with, and support, the Climate Change Commission’s and emission reduction budget objectives.
5. ***Do you support having single GHG emissions reduction percentages across all fuel types, or do you favour separate reduction percentages? Why and how many separate percentages would you suggest we have?*** We support reduction percentages for each sector, using the transitional approach outlined earlier. We believe these should be considered based on the various factors that relate to their use in the following discreet categories:
 - Aviation, Jet fuel
 - Biodiesel
 - Light and heavy road vehicles
 - Heavy agricultural vehicles
 - Bioethanol
 - Marine
 - Industrial users (heating, services)
6. ***Do you support provisional emission reduction percentages being set for 2026–2030 and 2031–2035 with the percentages being finalised in 2024 and 2029 respectively? If not, why?*** We support the approach outlined as it follows the Climate Change Commission and emission reduction budget direction and timeframes, and ensures all-of-government is aligned (e.g. Vote Climate).

- 7. Do you support the proposal that biofuel producers must be certified against an established sustainability standard to count towards achievement of the emissions reduction percentage? If not, why?** Yes, biofuel production must be sustainable and support the central government's wellbeing framework - social, economic, environmental, cultural. This requires a level playing field for manufacturers and should also apply to importers to ensure no 'harm' is caused in the country of origin. In other words, we need to avoid the situation whereby importers can circumvent the local mandate by having inadequate or inappropriate environmental, social and economic practices at source.
- 8. Do you support having a joint fuel industry/government information campaign to inform New Zealanders about biofuels and the Sustainable Biofuels Mandate? If not, why? Do you support the labelling proposal that informs consumers about specific biofuels at the point of sale? If not, why?** Industry and consumer education and knowledge of future fuels and the legislation that protects them as users and consumers is important, along with clear and consistent labelling of fuels to avoid confusion and issues with vehicle performance and warranties.
- 9. Should New Zealand try to overcome the challenges that domestic biofuel producers face in maintaining access to affordable supplies of domestically produced feedstocks? Do you have any suggestions for how this challenge could be overcome?** As a manufacturer of New Zealand made biodiesel, we know first-hand the challenges of accessing affordable domestic feedstock. Under present legislative and market conditions, biofuel production in New Zealand is marginal when we compete on a global feedstock market - from both a volume and cost perspective. In the past, New Zealand has subsidised biofuel with the Biodiesel Grants Scheme, with a primary focus on fatty acid methyl esters (FME's). Some form of incentive is required to increase the onshore production of biofuels and, accordingly, the government should consider the merits of reintroducing a wider-ranging grants scheme or taxation relief for onshore producers, through to exploring legislative models like the California Low Carbon Fuel Standard (LCFS) with a set of programmes that integrate health, transportation and mobility outcomes. The question we have is that if incentives or subsidies are not introduced, what legislative powers can be introduced to significantly reduce the flow of biofuel feedstocks from offshore?
- 10. Do you think the minimum threshold for compliance of 10 million litres of transport fuel in a calendar year in New Zealand is appropriate? If not, what level would you change it to?** We have no direct comment on the volume threshold. We ask what consideration has been given to exclude private producers for self-use vs producers for sale.
- 11. Do you agree with the method for calculating a supplier's GHG emission reduction? If not, why?** We agree with the proposed method and would welcome further discussion with government officials to establish common energy values and emission factors.
- 12. Do you think the annual reporting regime, including its offences and fines, is practical and appropriate? If not, why?** If there is any incentive introduced for biofuel production onshore then a transparent reporting and resourced compliance regime will be required to ensure stated standards are achieved.
- 13. Do you support the performance of fuel suppliers being published to enable consumers to reward the industry leaders in reducing GHG emissions? If not, why?** The open and transparent

publication of performance is required across many public and commercial enterprises and relationships now – thus we support that approach under this mandate.

- 14. Will the proposed penalties encourage fuel suppliers to achieve the required emission reductions? If not, what level should they be?** We are generally supportive, recognising that there needs to be a level playing field for onshore biofuel producers. There also needs to be transparent reporting, helping ensure emission reduction targets don't, perversely, drive up the increased importation of biofuels by companies vis a vis onshore production.
- 15. Do you support the proposal for fuel suppliers to defer achieving their emissions reductions for years 1 and/or 2, in full or in part, to the following year? If not, why?** We are generally supportive of a deferred approach as it allows fuel suppliers and producers to increase their access to biofuels and, in particular, capital and feedstock for onshore production.
- 16. Do you support fuel suppliers banking any surplus emissions reductions in a year and using it to reduce the percentage needed to be achieved the following year? If not, why?** We are generally supportive of banking surplus emissions reductions across years. We ask, however, that should this approach be adopted, consideration be given to placing a ceiling on the number of years across which it is possible to bank and/or achieve the emission reduction.
- 17. Do you support fuel suppliers borrowing for shortfalls in emissions reductions in a year, and making the shortfall up the following year? If not, why?** We are supportive, in principle, but ask if consideration has been given to limits on borrowings.
- 18. Do you agree with the proposal to allow trading through the use of entitlement agreements? If not, why?** We support this, in principle, if consideration is given to the comments above about ceilings or limits. There needs to be a mechanism to protect against any abuse of entitlement agreement trading, as this could penalise or challenge onshore producers and/or importers.

Fulton Hogan acknowledges the complexity of the issue and the role that government, society, and industry has in achieving greenhouse gas emission reductions. Fulton Hogan would welcome the opportunity to meet and speak directly with officials or other government representatives on our views on this important matter, particularly that we are involved, directly or indirectly, in the entire biofuels supply and demand chains.

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