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Energy Markets Policy
Building, Resources and Markets
Ministry of Business, Innovation and Employment
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Consultation: Sustainable Biofuels Mandate

Genesis Energy Limited (**Genesis**) welcomes the opportunity to provide feedback to The Ministry of Business, Innovation and Employment (**MBIE**) and the Ministry of Transport (**MoT**) on their consultation paper on the Sustainable Biofuels Mandate: increasing the use of biofuels in transport (**the Mandate**).

Genesis supports a transition towards a sustainable future

Genesis' purpose is to 'empower New Zealand's sustainable future'. For this reason, we are generally supportive of a biofuels mandate to increase the use of biofuels and help decarbonise the transport sector. In the interest of New Zealand reaching its climate goals, we have some specific feedback and perspectives to offer on the Mandate.

As a diverse energy business with strong environmental commitments, Genesis sees potential value in the use of bioenergy to enable decarbonisation across multiple sectors in the economy. This potential includes roles in some of our operations. We therefore recognise that New Zealand's feedstock base for biofuels is likely to face increasing demand in coming years, despite the limitations on resource availability. For this reason, Genesis believes a holistic bioeconomy strategy is needed in order to prioritise limited bioresources for the greatest environmental and economic benefits. The Mandate will play an important part in this strategy, but its implications must be considered within this context.

The Mandate should be designed to incentivise decisions that will have the greatest impact on New Zealand's long-term decarbonisation. For example, emissions reductions targets for fuels should be set to reflect an appropriate level of bio-resource use, considering the needs of other sectors in the economy. Within transport, the Mandate should incentivise the development of solutions for the hardest-to-abate sectors for which there are few or no other alternatives. This could include maritime and aviation, over other ground-transport for which superior low-carbon solutions exist (e.g. electrification of light and heavy transport fleet).

Consultation question 1: Do you support having a GHG emissions reduction mandate?

We support a Mandate that focuses on reductions to GHG emissions as opposed to requiring specific volumes. Encouraging biofuel use is important, but it is crucial that lifecycle emissions are the focus to have the greatest impact on decarbonisation. Requiring fuel suppliers to reduce the GHG emissions of their fuels instead of blending set volumes will encourage this. It will also allow for the growth of other technologies and low-carbon fuels e.g. hydrogen.

Consultation question 2: Do you support the proposal to require certification of lifecycle emissions of biofuels sold in New Zealand using international standards?

Ensuring certification of sustainable management practices and lifecycle emissions of biofuels is fundamental to providing transparency and assurance of the validity of biofuels as a decarbonisation tool. The use of existing international standards gives confidence that the standards have been robustly developed and will also help ensure that any fuels certified are fungible between markets and related accreditations (e.g. company level decarbonisation certifications).

Consultation question 3, 5 and 8: Do you support applying the Sustainable Biofuels Mandate to all liquid transport fuel? Do you support having single GHG emissions reduction percentages across all fuel types, or do you favour separate reduction percentages? Do you support an information campaign and labelling proposal that informs consumers about biofuels?

The Mandate should incentivise decisions that will see the greatest impact on total decarbonisation across transport and other sectors and should consider separate requirements across fuel types.

For example, currently, bioethanol blended for use in petrol cars appears to deliver the greatest emissions reduction for the least cost. However, other alternatives such as EVs are available and the Government has specific policies aimed at accelerating their availability and adoption. Policies that have the effect of incentivising investment in bioethanol could see effort, resources and investment shifted away from transport fuels that have significant potential for hardest-to-abate transport sectors (e.g. biodiesel or aviation biofuel) or other energy sectors (e.g. industrial heat), where there are fewer alternatives. Incentivising the development of biofuels for the hardest-to-abate sectors should be a priority.

Consideration should also be given to potential unintentional consequences from encouraging “partial” decarbonisation options. Consumers enjoying a “feel good” effect from using petrol that contains “bio-fuel”, may reduce their desire to transition to an electric vehicle. Consumer fuels with a small percentage of biofuel may be confusing for the public and be interpreted as a satisfactory (or even complete) effort to address climate change. Labelling and communicating about the bio-

content of consumer fuels could also contribute to these effects of confusion and reducing ambition.

Consultation question 4 and 6: Are the proposed initial emission reduction percentages for 2023–2025 appropriate for New Zealand? 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?

We believe that the reduction targets must be considered in the context of a whole-economy bioenergy strategy. This should consider the volume of bio-feedstocks and the allocation of this limited resource across sectors to achieve long term decarbonisation goals.

The timeline for finalising reductions percentages should also be integrated with development of sector and country-wide decarbonisation plans to ensure appropriate emissions reduction percentages are set.

We are concerned that the timeline proposed may not give enough time for consideration of such factors. Furthermore, considering the changes required by fuel suppliers to comply with the Mandate, we expect the development of a sustainable and impactful domestic biofuels market is likely to take longer than the proposed timeframe.

Without time to develop a sustainable supply chain, sudden and substantial demand increases for biofuel, which will predominantly be met by imports in the short-term could have unintended consequences. Examples include price-shocks that could impact consumers, or deferred investment in domestic biofuel technologies that should be our preferred supply source.

Consultation question 9: Should New Zealand try to overcome the challenges that domestic biofuel producers face in maintaining access to affordable supplies of domestically produced feedstocks?

Maintaining access to affordable supplies of domestically produced feedstock is important for the sustained use of biomass for decarbonisation across sectors. Domestically produced feedstocks will have the lowest lifecycle emissions and will be easier to manage in terms of these emissions and sustainability practices. In addition, a strong domestic supply will mitigate the impact of international supply disruptions.

Increasing the affordability of domestic supplies will rely on encouraging greater development of feedstock growth and processing facilities. We believe New Zealand is well positioned to develop its bio-resources sector and see a potential export opportunity for bioenergy in the future. This could see New Zealand using its advantages such as land area and climate to make an international contribution to global decarbonisation and could create the

opportunity to contribute to the development of bioenergy technologies and production.

Consultation question 15 and 16: Do you support the proposal for fuel suppliers to defer achieving their emissions reductions be for years 1 and/or 2, in full or in part, to the following year? Do you support banking, borrowing and trading?

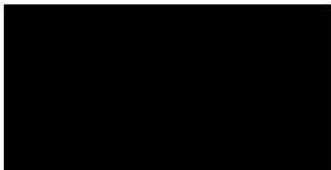
While there is an urgency to decarbonise, we support proposals that provide flexibility. Flexibility allows fuel suppliers to adjust in a timely and cost-effective manner and facilitates a reliable and affordable energy supply through the transition. A framework that includes partial deferment and optimisation (through banking, borrowing, and trading) would provide this flexibility.

Summary

Genesis is supportive of efforts to implement a biofuel mandate but believes that details should be considered within a holistic assessment of the bioresources available, New Zealand's energy needs and the transition opportunities available. Through this process the Mandate should be developed to enable the sustainable and long-term development of the New Zealand bioeconomy.

Please contact me at [REDACTED] should you have queries or wish to discuss our feedback further.

Yours sincerely

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Withheld under section 9(2)(a)

Tim Rowe
Strategy Partner