

## How to submit this form

# Submission form: Consultation on the Sustainable Biofuels Mandate

The Ministry of Business, Innovation and Employment (MBIE) and the Ministry of Transport (MoT) would like your feedback on a proposal to increase the use of sustainable liquid biofuels in New Zealand to reduce greenhouse gas (GHG) emissions from transport. Please provide your feedback by **5pm, 26 July 2021**.

When completing this submission form, please provide comments and supporting explanations for your reasoning where relevant. Your feedback provides valuable information and informs decisions about the proposals.

We appreciate your time and effort taken to respond to this consultation.

## Instructions

### To make a submission you will need to:

1. Fill out your name, email address, phone number and organisation. If you are representing an organisation, please provide a brief description of your organisation and its aims, and ensure you have the authority to represent its views.
2. Fill out your responses to the discussion document questions. You can answer any or all of these questions in the [discussion document](#). Where possible, please provide us with evidence to support your views. Examples can include references to independent research or facts and figures.
3. If your submission has any confidential information:
  - i. Please state this in the email accompanying your submission, and set out clearly which parts you consider should be withheld and the grounds under the Official Information Act 1982 (Official Information Act) that you believe apply. MBIE and MoT will take such declarations into account and will consult with submitters when responding to requests under the Official Information Act.
  - ii. Indicate this on the front of your submission (e.g. the first page header may state "In Confidence"). Any confidential information should be clearly marked within the text of your submission (preferably as Microsoft Word comments).
  - iii. Note that submissions are subject to the Official Information Act and may, therefore, be released in part or full. The Privacy Act 1993 also applies.

## How to submit this form

### 4. Submit your feedback:

i. As a Microsoft Word document by email to [energymarkets@mbie.govt.nz](mailto:energymarkets@mbie.govt.nz) with the subject line: *Consultation: Sustainable Biofuels Mandate*

ii. By mailing your submission to:

Consultation: Sustainable Biofuels Mandate  
Energy Markets Policy  
Building, Resources and Markets  
Ministry of Business, Innovation and Employment  
PO Box 1473, Wellington 6140  
New Zealand

## Submitter information

### Submitter information

MBIE and MoT would appreciate if you would provide some information about yourself. If you choose to provide information in the section below, it will be used to help MBIE and MoT understand how different sectors view the Sustainable Biofuels Mandate proposal. Any information you provide will be stored securely.

#### Your name, email address, phone number and organisation

Name:

[REDACTED]

Email address:

[REDACTED]

Withheld under section 9(2)(a) and the Privacy Act 1993

Phone number:

[REDACTED]

Organisation:

Gull New Zealand Limited

- The Privacy Act 1993 applies to submissions. Please tick the box if you do **not** wish your name or other personal information to be included in any information about submissions that MBIE and MoT may publish.
- MBIE and MoT may upload submissions and potentially a summary of submissions to the website(s), [www.mbie.govt.nz](http://www.mbie.govt.nz) and/or [www.transport.govt.nz](http://www.transport.govt.nz). If you do **not** want your submission or a summary of your submission to be placed on either of these websites, please tick the box and type an explanation below:

[REDACTED]

#### Please check if your submission contains confidential information

- I would like my submission (or identifiable parts of my submission) to be kept confidential, and **have stated** my reasons and ground under section 9 of the Official Information Act that I believe apply, for consideration by MBIE and MoT.

## Sustainable Biofuels Mandate

### How the Sustainable Biofuels Mandate would work

#### 1. Do you support having a GHG emissions reduction mandate?

Yes
  Yes, with changes
  No
  Not sure/No preference

Please explain your views.

This is a logical step and will enable decarbonisation of the existing fuel fleet to begin now.

Gull has considerable experience in biofuels. We are the largest and longest standing provider of biofuels in New Zealand being involved for over 14 years both domestically and internationally.

Biofuels are always more expensive to produce than mineral fuels. Thus they are only used in meaningful commercial volumes anywhere in the world when there is a mandate or subsidy or both.

Transport fuels are homogeneous goods and consumers, be they retail or commercial, demand the lowest possible price. Gull knows from 14 years of retail experience that consumers will not switch in significant volumes to a biofuel for a greater cost even if it offers significant environmental benefits.

A mandate which is designed in this manner to be equitable to all suppliers of transport fuels has the potential for success and will contribute towards environmental benefits being gained right now for Aotearoa.

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

Yes, I agree
  I agree in part
  No, I don't agree
  Not sure/no preference

Please explain your views.

Gull supports the intent to certify biofuels.

Gull recommends a modified approach to this where domestic New Zealand produced biofuel is exempt from the requirement for certification if their production is less than 5 million litres annually.

As far as Gull is aware, there are only three current New Zealand biofuel producers. Any new production facilities will be start-up businesses who already face significant challenges with funding, construction, and developing a route to market etc. Having worked with several potential and past domestic biofuel producers Gull is aware that there are significant challenges in producing on specification product and obtaining the right feedstock materials. The more red tape that can be eliminated for these new businesses, the more chance of their long term commercial success.

The additional cost of biofuel certification is one that can easily be eliminated for these low volume producers. This is a simple and in Gull's view a low cost assistance to stimulating domestic production of biofuel.

To reduce costs for industry and the consumer the Government should look play a role in collating and releasing information where required to support the fuel industry in meeting these requirements. This could include the MBIE generating a centralised register of certifications and GHG reduction %'s for fuel suppliers to access or working in partnership with fuel suppliers to ensure the efficient supply of information. While it is not expected that biofuels suppliers both international and domestic will be reluctant in providing this information there should be adequate protections in place to assist fuel suppliers in their challenge to identify and then quantify the benefits derived from biofuels supply.

## Sustainable Biofuels Mandate

3. Do you support applying the Sustainable Biofuels Mandate to all liquid transport fuel?

Yes, I agree     I agree in part     No, I don't agree     Not sure/no preference

Please explain your views.

Aotearoa needs to decarbonise. The vast majority of this burden falls on the transport sector. It is important that each segment of the transport sector is included to incentivise all to do their share.

4. Are the proposed initial emission reduction percentages for 2023–2025 appropriate for New Zealand? If not, what should they be?

Yes, I agree     I agree in part     No, I don't agree     Not sure/no preference

Is there anything you would like to tell us about the reason(s) for your choice?

These percentages will be a stretch for industry to meet. Gull's indicative calculations show that hundreds of millions of litres of biofuel will be needed by 2025. This is a huge logistical change for the industry which is not set up to make this shift in production and supply. Significant investment is required. Certainty on that investment into the future needs to be assured by government to enable industry to confidently make it.

Gull believes it is achievable as long as certainty and political leadership is provided.

Further Gull notes the emissions reduction requirements for New Zealand are compelling and we need to begin now by transitioning to low carbon fuels.

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?

Yes, I agree     I agree in part     No, I don't agree     Not sure/no preference

Is there anything you would like to tell us about the reason(s) for your choice?

The action required is for New Zealand to reduce greenhouse gas emissions. By opening up all fuel types there are greater options for reductions. Some may be applicable now, others into the future, some may require development and a slower commencement now. Having all fuel types open gives significantly greater scope to reduce GHG emissions.

## Sustainable Biofuels Mandate

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?

Yes, I agree     I agree in part     No, I don't agree     Not sure/no preference

Is there anything you would like to tell us about the reason(s) for your choice?

It is naive to believe we can accurately predict such a significant change now:

- Total biofuel usage now is in the single digit millions of litres range by Gull's estimate ; The proposed mandate takes it to hundreds of millions of litres by 2025; indicatively this is a 100 fold increase. In our view this is probably achievable but if it is not, we think it is foolish to assume we can set budgets beyond this paradigm changing initial step and set them accurately now.
- The aim of policy is for GHG reduction. There are many other factors at play here, why lock in fixed percentages now when we have no tangible understanding on the potential impacts of other related GHG emission reduction initiatives; does the electric vehicle fleet deliver more or less savings than currently projected, does hydrogen as a transport fuel become readily accessible and may reduce GHG emissions at a lower cost than high biofuel utilisation ?

Gull submits that predicting such effects now for 2024 is random and may lock in unwanted and unforeseen consequences when we have not even commenced the initial mandate.

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?

Yes, I agree     I agree in part     No, I don't agree     Not sure/no preference

Is there anything you would like to tell us about the reason(s) for your choice?

As per 2) above Gull supports the sustainability standard but we would exempt compulsion for smaller New Zealand based producers ( 5 million litres pa and below) to foster and encourage their initial production.

Also, as per 2) above the Government should look to play a coordinating role by collating and releasing information where required to support the fuel industry in meeting these requirements.

## Sustainable Biofuels Mandate

8. Do you support having a joint fuel industry/government information campaign to inform New Zealanders about biofuels and the Sustainable Biofuels Mandate?

Yes, I agree     I agree in part     No, I don't agree     Not sure/no preference

Is there anything you would like to tell us about the reason(s) for your choice?

The Government needs to inform with caution. There were many different agenda's run by different parties when the 2008 mandate was passing into law. Noting "change" can cause undue concern in the mass retail fuels market.

The positive message is that Government's communication is probably seen as (?) impartial compared to that of the oil and motor vehicle industry.

Any information should be fact based and should draw on the narrative of the long history of the use of biofuels (back to Henry Ford and Rudolf Diesel) and modern applications in currently New Zealand and in other modern fleet markets of Europe and the United States.

Taking a lesson from the 2008 mandate, the Government conducted independent research on the suitability of biofuels for the NZ vehicle fleet, introduced universal labelling and looked at sustainability information on sources of international biofuels and feedstocks. All of this was very helpful. Much can be reused now but the Government should review with industry other areas where Government can assist oil industry, commercial consumers and the motorist in understanding.

Please refer to Gull's comments in our covering letter. There are many positives with biofuels and the Government needs to ensure these are highlighted and communicated to the public.

9. Do you support the labelling proposal that informs consumers about specific biofuels at the point of sale?

Yes, I agree     I agree in part     No, I don't agree     Not sure/no preference

Is there anything you would like to tell us about the reason(s) for your choice?

Gull still uses the EECA labelling developed with the 2008 mandate and submits there is little need to change or fund a new system. Most of this work has already been done.

There needs to be labelling that informs the public that is simple to use at the retail outlet.

Gull is concerned that labelling to include feedstocks and sustainability and life cycle emissions does not account for the actual supply chain that will deliver biofuel to the motorist.

The reality is that the sale of biofuel will in be a blend. The bio content of that blend will change regularly. Gull currently blends ethanol into our premium petrol to reduce GHG. We expect to expand this significantly under the proposed mandate and we will source it from many different areas. And from varying supply chains. For example, we may simultaneously be blending ethanol that is:

- Produced from dairy by-products made in New Zealand
- Produced from sustainably grown Queensland sugar cane
- Produced from feedstock A in country B

Into the future along with the likes of above we hope to use ethanol:

- Produced from New Zealand domestic waste
- Produced from New Zealand radiata trimmings

noting all of this on a fuel dispenser is nonsensical and will not be understood by most motorists.

## Sustainable Biofuels Mandate

The regulations concerning sustainability and GHG emissions, along with commercial drivers, will ensure the consumer is receiving “good” quality product. Labelling at point of sale needs to be simple and cover many different blend options, all of which may exist at one in each supply chain. Gull is concerned that the consultation paper indicates a labelling system that would require daily changes at retail outlets.

Further Gull is firm in its submission: Less is more with point of sale labelling. Consumers will absorb and understand more the fewer messages there are.

Simple messages such as “*May contain up to 10% biofuel*” is a prompt for the consumer to inform them and enable further detail to be gained directly from the manufacturer or on-line.

Gull believes at least for the initial period of the proposed mandate a more than adequate labelling system exists inside existing government regulations.

10. 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?

Yes, I agree     I agree in part     No, I don't agree     Not sure/no preference

Is there anything you would like to tell us about the reason(s) for your choice?

As per Gull's submission in 2) and 7) above. Gull supports a relaxation of additional red tape for small domestic producers.

However, biofuels are and will for many years be a greater base cost to produce than mineral equivalent. Thus, there will be significant price increases faced by the New Zealand consumer by introducing the proposed mandate. Subsidy of a domestic industry will only further (directly or indirectly) increase the cost of fuel. As with all other industry types in New Zealand the biofuels industry must, for the benefit of the New Zealand consumer, remain highly competitive with imports.

## How could the Sustainable Transport Biofuels Mandate be implemented?

11. 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?

Yes, I agree     I agree in part     No, I don't agree     Not sure/no preference

Is there anything you would like to tell us about the reason(s) for your choice?

Gull fully supports the obligations for the mandate going as far down the supply chain as practical. This will enable many parties to look at the lowest cost option to provide the best value in GHG reductions to the Kiwi motorist or commercial consumer.

Gull believes the 10 million level suggested is the correct balance.

Gull notes New Zealand Customs need to be consulted on this point. Blending (biofuel or any fuel or additive) is an increase in volume for fuel; this is “manufacturing” by Gull's view and thus a trigger for excise. This will / may significantly increase the number of Customs Controlled Areas for manufacturing and collection of excise. Gull understands most blending now is undertaken at fuel terminals which are invariably Customs Controlled Areas and thus licensed manufacturing areas and points of obligation for excise tax.



## Sustainable Biofuels Mandate

Gull believes there is already a spread of blending of marketing additives by some retailers who do not own or operate terminals. Very probably this proposal would lead to significantly more obliged parties such as those listed in the consultation document blending biofuels and thus manufacturing and therefore triggering an excise obligation. Most of the parties listed in the consultation document do not operate fuel terminals.

Any regulation needs to be very specific as to how obligations are captured. For example, is this on a purchase basis? On a sales basis? Noting that at each year end, there will be stock on hand (for all parties) as well as deliveries in progress. Using the prior year figures (either for sales or purchases) was suggested at the recent oil industry forum to discuss the proposed mandates. Gull would support this; it gives a known base for each obliged party to plan with certainty how they meet the next years obligation. This would be an improvement on the Emissions Trading Scheme where importers are required to meet an obligation on fuel removed for home consumption, but this can swing significantly on the delivery of one major import at or near year end.

### 12. Do you agree with the method for calculating a supplier's GHG emission reduction?

Yes, I agree     I agree in part     No, I don't agree     Not sure/no preference

Is there anything you would like to tell us about the reason(s) for your choice?

Gull supports this and recommends that the Government may look to give set values for energy content for common fuels. Ethanol as a distinct chemical composition will have a constant energy content. For other fuels where energy content may vary there should be an industry review of the proposed Government default values.

Further to 2) and 7) above Gull recommends the Government consider default values for small New Zealand domestic producers (noting the 5 million litre pa threshold). This would be for both energy content and lifecycle emissions. This again is a simple, inexpensive step up assistance for small producers enabling them to commence production, meet other start up challenges and then proceed to the additional expense of auditing and verification.

## Sustainable Biofuels Mandate

13. Do you think the annual reporting regime, including its offences and fines, is practical and appropriate?

Yes, I agree     I agree in part     No, I don't agree     Not sure/no preference

Is there anything you would like to tell us about the reason(s) for your choice?

#### Reporting

Gull supports the annual reporting given that it is a simple system and does not demand significant resource.

#### Fines

Gull supports the imposition of financial penalties on the legal entity that has failed to comply.

Gull's view is that only businesses rather than individuals will be obliged under these regulations. The proposed obligation points are so large they will not include sole traders.

Gull is not sure from the discussion document ( which talks solely "suppliers") whether the proposal is to :

1. Apply penalties to individual employees or officers of the business entity that is obliged under the proposed mandate (as well as the legal entity); or
2. If the drafting is assuming an individual may be an obliged party ?

If the intent is 1) Gull does not support this. Gull submits that breaches under the Commerce Act and the Health and Safety at Work Act are potentially serious so that individual officers of a company should be liable. However, Gull does not see that breaches under this legislation are that serious that individual company personnel should be liable for penalties.

14. Do you support the performance of fuel suppliers being published to enable consumers to reward the industry leaders in reducing GHG emissions?

Yes, I agree     I agree in part     No, I don't agree     Not sure/no preference

Is there anything you would like to tell us about the reason(s) for your choice?

As importantly this informs the consumers if the policy is working.

15. Will the proposed penalties encourage fuel suppliers to achieve the required emission reductions? If not, would level should they be?

Yes, I agree     I agree in part     No, I don't agree     Not sure/no preference

Is there anything you would like to tell us about the reason(s) for your choice?

The New Zealand mandates both in 2008 and the proposed mandate are clear on penalties and that will drive compliance. This will lead to GHG emission reductions.

Given compliance will occur the significant additional cost of biofuels will also increase the cost price of fuel for obliged parties and this will be passed onto the consumer. The Government needs to be upfront on this decision, one that is for the good of the environment but will come at a cost to motorists.

## Sustainable Biofuels Mandate

16. 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?

Yes, I agree     I agree in part     No, I don't agree     Not sure/no preference

Is there anything you would like to tell us about the reason(s) for your choice?

Given significant fines for non-compliance and a rapid escalation in volume proposed and the significant infrastructure build that will be required by industry to meet these proposed obligations there needs to be some options where parties are unable to meet obligations immediately.

17. 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?

Yes, I agree     I agree in part     No, I don't agree     Not sure/no preference

Is there anything you would like to tell us about the reason(s) for your choice?

The proposal is to reduce GHG emissions. If these are achieved earlier than required, then this should be recognised. If this is not the case it may encourage some parties to cut back use of biofuel when approaching the annual quota.

18. Do you support fuel suppliers borrowing for shortfalls in emissions reductions in a year, and making the shortfall up the following year?

Yes, I agree     I agree in part     No, I don't agree     Not sure/no preference

Is there anything you would like to tell us about the reason(s) for your choice?

19. Do you agree with the proposal to allow trading through the use of entitlement agreements?

Yes, I agree     I agree in part     No, I don't agree     Not sure/no preference

Is there anything you would like to tell us about the reason(s) for your choice?

As noted, the drive of this legislation is to achieve reductions in GHG emissions in the most cost effective way. If one party can do this more effectively than another then trading of the reduction must be enabled to give benefits to the consumer.

### Further Feedback

Gull notes the proposed review for 2024 and supports this and submits that it should be legislated to occur to ensure Government does review this significant change with industry.