

Ministry of Business, Innovation and Employment  
Via email: [energymarkets@mbie.govt.nz](mailto:energymarkets@mbie.govt.nz)

26 July 2021

## **Sustainable Biofuels Mandate**

Mercury is pleased to comment on the Ministry of Business, Innovation and Employment's (MBIE) consultation paper on the Sustainable Biofuels Mandate *'Increasing the use of biofuels in transport'* (Paper). We see this initiative as fitting within the strategic framework for decarbonisation of the transport sector and the wider economy as envisaged in the Ministry of Transport Green Paper *Transport Emissions: Pathways to Net Zero by 2050*, and the advice on emissions budgets provided by the Climate Change Commission (Commission). A holistic, strategic and co-ordinated approach to transport decarbonisation that recognises the links between transport, energy, urban form and behavioural change will establish the conditions necessary for decarbonisation, although not sufficient in themselves. Collaboration between government and the private sector will be crucial as will establishing buy in from the wider public.

Government has already announced some policies to assist with decarbonisation of transport, for example, policies that incentivise electric vehicle (EV) uptake. It is clear a stronger, more comprehensive set of measures are needed to effect rapid cuts in transport emissions to the level recommended by the Commission.

### *Focus on encouraging investment and uptake across all low carbon fuels*

We agree with the Commission's assessment that there should be a focus on encouraging research, development and trials across all low carbon liquid fuels. We do not know which fuels will be the most feasible over time and it is unlikely that one particular fuel will meet all of Aotearoa's low carbon liquid fuel needs. Therefore, rather than focusing solely on one technology, or a subset of low carbon liquid fuels, a more comprehensive approach should be adopted than just a biofuels mandate.

This comprehensive, technology neutral approach would allow flexibility for fuel suppliers to adopt the most appropriate low carbon liquid fuels for their business and customer base as and when technologies develop. It would also maximise collaboration across government and the private sector to trial and develop innovative solutions.

Most of the barriers to uptake identified for biofuels, particularly their lack of cost competitiveness with fossil fuels at market prices, and high financial and technical barriers apply equally to other low carbon liquid fuels. Likewise, low carbon liquid fuels all have the potential to offer opportunities for green economic growth and development in the longer term.

Low carbon liquid fuels are likely to deliver important additional benefits. These include air quality and repurposing waste/residue, as with biofuels. E-fuels derived from green hydrogen could benefit from existing gas pipeline infrastructure ensuring it is maintained, preserving New Zealand's future energy options. Investment in e-fuels could also be a valuable steppingstone towards establishing a hydrogen economy in New Zealand and eventually more widespread direct use of hydrogen as newer assets enter our road, aviation, rail and maritime fleets. Maintenance of gas pipeline network infrastructure is important as Aotearoa transitions away from using coal to generate electricity to using gas as a backup fuel until we have sufficient capability to manage seasonal peaks and dry years through wholly renewable means.

All low carbon liquid fuels can play a transitional role in reducing emissions from New Zealand's 3.9 million private vehicles as they are gradually replaced by EVs. However, as the Paper outlines, low carbon liquid fuels will be



particularly important for hard to abate forms of transport, such as heavy trucks, aviation, rail and shipping. Unlike passenger vehicles and light trucks, these modes of transport generally do not have straightforward pathways to decarbonisation through direct electrification or otherwise.

#### *Education and leadership from government*

As Mercury stated in our submission to the Ministry of Transport on *Pathways to Net Zero by 2050*, Government should play a leading role in transport decarbonisation and be focussed on action. Government is in a unique position to model the behaviours required to enable New Zealand's transition to a low carbon economy. In addition to setting the strategic direction for climate change, it can help New Zealanders understand why and how we must contribute as individuals and businesses to lowering our emissions. The government's handling of the Covid-19 pandemic has shown how well-orchestrated and consistent communications can significantly influence behaviour. A similar approach should be adopted to tackle the "climate change emergency"<sup>1</sup> and to encourage people to change or adopt new behaviours around reducing/avoiding travel, using active modes, using public transport and/or low emissions transport including EVs. An ongoing all-encompassing education programme should be backed up by government leading the field in its adoption of low carbon transport. For example, we strongly support government transport procurement processes giving priority to EVs and/or shared mobility alternatives. In this way, New Zealanders will start to see what the new normal should look like, as modelled by our elected representatives. In this respect we see educating the public about low carbon fuels as a small part of a much broader, holistic decarbonisation education campaign.

Please do not hesitate to contact me at [buddhika.rajapakse@mercury.co.nz](mailto:buddhika.rajapakse@mercury.co.nz) if you would like to discuss any matters raised in our submission.

Yours sincerely

Buddhika Rajapakse  
**Manager Energy Futures**

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<sup>1</sup> Jacinda Ardern, Wednesday 2 December 2020, in Parliament



## Appendix One Consultation Questions

Consultation Question	Mercury Response
Do you support having a GHG emissions reduction mandate?	Yes.
Do you support the proposal to require certification of lifecycle emissions of biofuels sold in NZ using international standards?	Yes.
Do you support applying the Sustainable Biofuels Mandate to all liquid transport fuel?	Yes.
Are the proposed initial emission reduction percentages for 2023-2025 appropriate for NZ?	The Commission has a target for low carbon liquid fuels of 5% of liquid fuel demand by 2035, so appears reasonable in this context.
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?	Separate targets should be considered so that hard to abate sectors (such as heavy trucks, rail, maritime and aviation) are prioritised for biofuels/low carbon liquid fuels.
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
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
Do you support having a joint fuel industry/government information campaign to inform NZers about biofuels and the Sustainable Biofuels Mandate? Do you support the labelling proposal that informs consumers about specific biofuels at the point of sale?	Yes however, we would like to see any campaign focus more broadly on all low carbon liquid fuels and to be included in a wider campaign focused on educating the public about the range of options and actions that can be taken to decarbonise transport. This would include changing mobility decisions, urban form and fuel use.
Should NZ 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?	It will be important to consider other uses for domestically produced feedstocks in the context of our need to grow carbon sinks and alternative uses of biomass, for example, coal boiler conversion.
Do you think the minimum threshold for compliance of 10 million litres of transport fuel in a calendar year in NZ is appropriate?	No comment.
Do you agree with the method for calculating a supplier's GHG emission reduction?	No comment.
Do you think the annual reporting regime, including the offences and fines, is practical and appropriate?	No comment.
Do you support the performance of fuel suppliers being published to enable consumers to reward the industry leaders in reducing GHG emissions?	In principle yes, taking into account our general comments about the need for a comprehensive education campaign focused on decarbonising transport.
Will the proposed penalties encourage fuel suppliers to achieve the required emission reductions? If not, what level should they be?	No comment.
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?	No comment.
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? Do you support fuel suppliers borrowing for shortfalls in emissions reductions in a year, and making the shortfall	No comment.



up the following year? Do you agree with the proposal to allow trading through the use of entitlement agreements?	

