



# MTA Submission

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To the Ministry of Business, Innovation & Employment, and  
the Ministry of Transport on the  
'Increasing the Use of Biofuels in  
Transport' Consultation Paper

26 July 2021

Dear Sir / Madam

**Submission: Increasing the use of sustainable biofuels in Aotearoa New Zealand**

This submission is from:

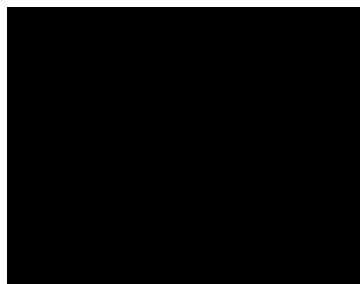
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Thank you for the opportunity for MTA to provide comment on increasing the use of biofuels in transport regarding the views of and its effect on the automotive industry.

Yours sincerely,



Greig Epps  
**Advocacy & Strategy Manager**

## Introduction

The Motor Trade Association (Inc) (MTA) was founded in 1917 and in 2017 celebrated 100 years of trust with the NZ motoring community. MTA currently represents approximately 3,800 businesses within the New Zealand automotive industry and its allied services. Members of our Association operate businesses including automotive repairers (both heavy and light vehicle), collision repair, service stations, vehicle importers and distributors and vehicle sales. The automotive industry employs 57,000 New Zealanders and contributes around \$3.7 billion to the New Zealand economy.

This submission is predominantly written with MTA's 927 service station members in mind (representing 71 per cent of the retail fuel sector).

The service station segment of our membership will be most impacted by a biofuels mandate, however there will be ancillary effects on our repairer members (needing to address any engine issues with the use of biofuels and ensuring that skills and parts are available to convert older engines). As well, our dealer members will need to ensure that customers are fully aware of the level of biofuel compatibility of any vehicle purchased.

## Submission

MTA welcomes this consultation on increasing the use of biofuels in transport. We want to ensure the industry can innovate and diversify in a way that New Zealand can leverage all available low emission technologies and work towards a 'net' zero emissions future.

MTA echoes the Ministers' comment:<sup>1</sup>

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*"getting people to switch to electric vehicles and low-emissions modes is only part of the change needed to combat climate change"*

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As stated in the consultation document, electrification of our light vehicle fleet will not happen fast enough and alternatives, such as biofuels, must be explored.

We recognise the need for pragmatic action to address climate change and that our sector has a key role to play to achieve targets. Co-ordinated action is key to achieving New Zealand's zero carbon targets.

We ask the Ministries to consider industry expertise and undertake ongoing, meaningful consultation with the sector. Fuel suppliers are key to setting attainable and relevant goals. It is also important to note that the uptake of biofuels by consumers is dependent on the makeup of New Zealand's fleet of 5.5 million vehicles and their capacity to utilise biofuels.

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<sup>1</sup> Ministerial Foreword page 1

At the same time, it is essential that the industry and the public are properly and fully informed of the impacts that these changes will have on them.

The concept of the “Just Transition” must be kept in mind as we believe the introduction of biofuel blends could have equity consequences for low-income New Zealanders (more likely to be driving older, less compatible vehicles or less able to afford the price impact of adding biofuel to standard fuel stocks).

We have concerns that there will be an impact on prices at the pump, which may negate the changes and objectives of the recently passed Fuel Industry Act. A market bias towards cheaper fuel may delay manifestation of the benefits from this policy. There should be no price barrier to people choosing the E10 blend.

We note that a Sapere report prepared for EECA quotes a study that says<sup>2</sup>:

*“For older cars, burning blends higher than E10 requires changes to the combustion cycle and also may require replacement or alterations to certain fuel lines or engine components (Rusco, 2012).” (p11)*<sup>3</sup>

Many older vehicles may require significant modifications to support biofuels (such as fuel line upgrades, etc). As well, retailers will need to accommodate upgrades and additions to infrastructure for storage, transportation and dispensing of biofuels

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<sup>2</sup> <https://www.eeca.govt.nz/assets/EECA-Resources/Research-papers-guides/Liquid-Biofuel-Research-Report-March-2021.pdf>

<sup>3</sup> The Rusco report can be found here:

<https://www.oecd.org/futures/Biofuels%20Infrastructure%20in%20the%20United%20States%20Current%20Status%20and%20Future%20Challenges.pdf>

## Consultation Questions

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

- Yes       Yes, with changes       No       Not sure/No preference

Please explain your views.

MTA supports having a GHG emissions reduction mandate, with one caveat.

The consultation refers to other biofuel mandates operating in other jurisdictions as justification that a similar mandate would work here. This assumption needs to be tested against the NZ fleet age profile which will differ markedly from overseas jurisdictions. Not all ideas can be imported without change.

We recognise the need for pragmatic action to address climate change and that our sector has a key role to play to achieve targets. Co-ordinated action is key to achieving New Zealand's zero carbon targets.

### 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.

Having a life cycle certification using international standards is an important aspect of this proposed policy. It would ensure that the lowest carbon emission profile for feedstocks is used and aligns with similar life cycle analysis promoting the use of low emission fuel technology such as EVs and the various forms of Hydrogen production.

### 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.

Thinking about the logistics of introducing this mandate, we need to be mindful of the recently introduced Fuel Industry Regulations in terms of how any capital costs associated with infrastructure upgrades to enable the retailing of biofuels, particularly ethanol blended fuels are covered. Similarly, the intention of the new regulations was to improve market competition and ultimately give consumers better pump prices. The biofuel mandate has the potential to oppose the policy intention by increasing pump prices as well as limit choices of fuel that are compatible with all vehicle engines.

With the commercial road transport sector being regulated more than the light passenger vehicle fleet, it may be more appropriate to focus on this sector (diesel) to achieve a greater impact through emission reduction through a wider uptake of biofuel use. Adjustments to the road user charge system, the transport service licencing regime or even crediting points to the operator rating system for using a certain percentage of biofuel might be worthwhile incentive schemes to consider.

All components need to play their part in terms of using lower emission fuels where these fuels exist and are reasonably accessible to a particular sector. In addition, we shouldn't forget about other initiatives such as Safe and Fuel Efficient Driver (SAFED) training that are focussed on heavy vehicles but could equally be applied to light vehicles through minor changes to the driver licencing system. Drivers applying the SAFED techniques can easily achieve 10% fuel savings which in turn reduces carbon emissions by a similar amount. The benefits of applying SAFED techniques also deliver road safety improvements as well as vehicle repair and maintenance costs.

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?

While the fuel suppliers are best placed to answer this question, in MTA's view the proposed percentages for reductions in emissions appear realistic and based on current supply of biofuels and represent an achievable stretch target for fuel suppliers not already able to access biofuel supplies.

There needs to be ongoing and meaningful consultation with fuel suppliers to ensure the proposed percentages are feasible.

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?

Refer response to Q3 above. Given the uncertainty of biofuel supplies in the short term for some modes of transport, it may be appropriate to allow these modes either longer times to comply or have a lower target than other modes. With an obvious premium being applied to the purchase of biofuel blended fuels, some form of incentive will need to be put in place to encourage consumers to purchase.

For Ethanol based fuel blends, the blending limits will need to consider the potential impact on older vehicles as well as have clearly labelled dispensers at service station to avoid any misfuelling incidents.

Effective engagement with the motor industry needs to be carried out to understand the impact on the light vehicle fleet resulting from this biofuels mandate coming into effect.

Another concern is that if fuel suppliers have flexibility to choose which fuel grade, they may want to apply higher levels of ethanol blends to meet their emission reduction obligations. If they opt to apply ethanol to all petrol grade supplies, this might disadvantage consumers who run older model vehicles where engine compatibility issues will be an issue. This will also impose additional costs on retailers who must upgrade storage and dispenser assets to handle the storage and dispensing of ethanol blended fuel.

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?

MTA echoes the concerns raised in BusinessNZ Energy Council's (BEC) submission.

If provisional percentages are set, then final percentages should only be allowed to be set lower than provisional figures, not exceed the provisional settings.

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?

MTA supports the proposal that biofuel producers must be certified.

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?

In MTA's view such an information campaign would need to be carefully crafted – being clear about why it is being done, what is the message, and how is the impact of the campaign measured.

It is unclear whether a significant number of consumers would change their purchasing behaviour based on an information/education campaign. Price will be the most effective signal to consumers. However, given the possible impact on older vehicles and small engines (lawnmowers, marine engines, etc), adequate labelling and explanatory information will be needed to reduce the chance of fuelling mistakes.

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?

As with most consumer information, there is heavy reliance on the consumer being knowledgeable enough to make an informed decision. Any labelling relating to specific biofuels needs to be clear and easily understood in relation to the vehicle being fuelled. If biofuels offered are compatible with all vehicles, then labelling is not required, and it may be more appropriate to identify that the fuel has a lower emission output and incentivise (price) the wider use of this fuel.

It is our understanding that most small engine equipment (motorcycles, lawnmower, marine outboard motors etc) can't run on ethanol blended fuel so the mandate would need to consider the impact on these consumers.

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?

The fuel suppliers are best placed to answer this question, however, if there is a market for domestic feedstocks that may be currently exported to overseas biofuel producers, New Zealand should look to utilise this feedstock (eg introduce export controls, where possible under trade arrangements) for local production as this would lower the carbon intensity of feedstock and resultant biofuel produced.

## 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?

The major fuel suppliers are best placed to answer these questions; in fact, it may be better to restrict this burden of compliance to these majors. With the current four main fuel suppliers (Z Energy, Mobil, BP and Gull) already supplying fuel to all resellers and distributors in New Zealand, it would make sense to place the onus for compliance at this level and ensure the fuel sold to their customers meet the minimum biofuel levels. Under current market settings it is unlikely that the smaller distributors would set up direct fuel imports. The majors have experience with this type of compliance.

In addition to these comments, we raise concerns over what impact should requiring all fuel resellers supplying more than 10 million litres have on the soon to be implemented Fuel Industry regulations. Would these obligations have a negative effect on stimulating competition by placing additional regulatory burdens on the downstream side of the retail fuel market?

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?

In MTA's view, the method appears sensible.

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?

In MTA's view, there needs to be some sort of reporting regime and penalties for non-compliance, it needs to be simple and enforcement needs to be active.

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?

This requirement would seem similar to the Terminal Gate Pricing regime under the Fuel Industry Regulations, it also assumes that consumers will really care about the availability of this information and be well placed to make informed decisions when they turn up at a service station to purchase fuel. Where market share is a major factor in achieving or exceeding these emission reduction targets, it would seem natural that the larger players in the market will be better placed to meet or exceed these targets.

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?

There needs to be some pecuniary, penalties which must be greater than the cost of non-compliance, to prevent suppliers from manipulating the system.



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?

In MTA's view it would be more appropriate to incorporate these time periods in the start date for this mandate.

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?

In MTA's view this could risk overcomplicating the system.

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?

In MTA's view this could risk overcomplicating the system.

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?

In MTA's view this could risk overcomplicating the system.

*MTA appreciates the opportunity to submit on increasing the use of biofuels in transport.*



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