

**29<sup>th</sup> November 2011**

**BANZ AGM**

**Chairman's Report for the 2010-2011 year**



This has been a very busy year for the Association. The level of activity has continued throughout 2011 and we are making strong progress in terms of getting recognition of the value and contribution that bioenergy has to make, not only to energy and heat supply in New Zealand but also to the economy more generally. An investment in bioenergy delivers on government climate and sustainability policies, but even more than that, its major advantage is in the delivery of jobs, local opportunities and the ability to maximize land value.

### **Recognition by Government**

It was heartening to see that the Government's Energy Strategy adopted many of our recommendations for inclusion of the many merits of bioenergy. As a result bioenergy is now firmly within the Strategy as a mainstream energy source. However the challenge now for us is to get their stated intentions implemented – putting it bluntly – to turn their words into actions.

The Government has indicated that it wants to work with us and in particular with respect to implementation of the Bioenergy Strategy. What's missing are the details around just how that can be achieved. That's where we step in. From experience we know that it is going to be up to us as an Association to drive the policy initiatives and make them run. Government has only indicated that they will help us - more than that we don't know. But we need to be ready to help them with suggestions.

To implement the strategy we are going to have to get more proactive in putting proposals to Government and demonstrating that Bioenergy can deliver the economic and social benefits that they are looking for. A key action will be in extending our relationships with government agencies and helping them develop specific programmes. In the last year we have seen NZ Trade and Enterprise pick up Bioenergy and they have developed and implemented a number of important initiatives. They have been very supportive of our own work and provided significant financial support. Our long term supporter - EECA - has continued its support and Te Puni Kokori has recently started to take an interest.

Our biggest failure to date has been to connect with MAF and get them interested and engaged in Bioenergy. MAF will have to be a priority for the coming year as it is the Ministry with responsibility over our biomass resources.

The Ministry of Transport has responsibility within the transport section of the Government's Energy Strategy for leading transport biofuel initiatives and so BANZ has approached them to see how we can work together to progress this and so reach our target of 30% of transport fuel from biofuels by 2040. They have indicated that government has no specific programmes identified – again we are going to have to take the lead here and work to get government involved.

The lack of interest by the government in obtaining economic growth from our natural resources is difficult to comprehend.

### **Recognition by the forestry sector**

It was pleasing to work with the Forest Owners association to get the Bioenergy Strategy agreed and published. It has been even more pleasing to see how the forest owners association has been promoting to their members and land owners in general the value that can be gained from the use of wood chips as fuel. There are a number of opportunities to strengthen our relationship with the Forestry focused organisations and we are working on these presently.

### **Bringing international recognition home**

I think it's important to keep an eye on the international bioenergy stage and in this area New Zealand has much to shout about. Every other day we read of another award or accolade for Lanzatech or for Aquaflow. But I note too the quiet achievements of Nature's Flame as they continue to export high quality pellets to Europe (and indeed make significant impacts on the local industrial market); I note the kiwi expertise in CPG developing digesters in Europe and Australia and Greenlane Biogas (aka Flotech) steaming ahead in all corners of the globe as they cleanup landfill gas for use in natural gas pipelines. The message here is that our skills in many bioenergy areas are very strong but they are being better utilized overseas. Why is that? We need to have our domestic bioenergy market such that all these players can apply their skills and expertise here so that we get the economic benefits of their success.

The international market in bioenergy presents a story of exciting times. Over the past year we have seen major international agreements and collaborations announced in the aviation sector. Growing pressure to reduce emissions is leading every major airline to partner up with researchers in search for a biofuel solution. Biodiesel flights are a reality for many passengers these days.

In the US we note with interest a large scale commitment to biodiesel by the US Navy of all places - and the approach of the *California Energy Commission* (CEC) which recently adopted the state's third annual transportation energy Investment Plan to help change the types of vehicles Californians drive and the fuels they use. Now this in particular is something from which we could learn. If you want to improve transport efficiency you need to address all three elements – infrastructure, technology and fuels - with effective policies that recognise that they are inextricably linked. The Californian approach is also destined to create jobs, improve the environment and reduce dependence on foreign oil. These added advantages are noted as essential elements of the California's climate change and energy policies. The program successfully attracts outside investment and promotes sustainable transportation alternatives within the state. While New Zealand has made a policy commitment to maximising the use of alternative transport fuels and promotion of fuel 'diversity', we are yet to see anything to materialise on the ground. One of the challenges we face as we look to build relationships with the Ministry of Transport as noted earlier.

On the wood front we note initiatives in the UK for example focussed on increasing the use of wood in the commercial and industrial sectors – the Usewoodfuel Campaign is something that could easily be replicated in New Zealand to spread information and understanding about the benefits of switching to wood fuel. Of course these initiatives are driven by those 2020 targets for renewables set down by Europe. It would appear that we in New Zealand have no such drivers. Or do we?

## **Walking the Talk**

In my opening statement I noted that we continue to make progress in terms of recognition of the value of bioenergy. The explicit inclusion of the Bioenergy Strategy in the Government's Energy Strategy is a significant achievement and a commitment that we must both focus on and hold on to. It alone is evidence that there is recognition of the potential (albeit that at this stage there are no hard and fast policies in place to unleash the potential). But in terms of making real progress on the ground, we still have some way to go and personally I find this very frustrating. The time is long overdue to move from talk to action. There is considerable scope within the government estate itself to be 'walking the talk' and committing to sustainable energy sources in-line with government policies on sustainable development and climate change.

Redevelopment in Christchurch is another significant opportunity to maximize the use of local bio resources.

Recently we saw a gas pipeline rupture and the ensuing problems experienced by dedicated gas users. Although pulp mills and sawmills already rely on wood fuel the remainder of New Zealand industry has been slow to recognise wood fuel as an alternative, despite huge volumes of biomass being available all around New Zealand. In Europe, thousands of businesses source their heat requirements from the combustion of wood chip or wood pellets, yet in New Zealand there seems to be a reluctance to make the investment required in the wood boilers to access this secure energy future. As we know, wood fuel can supply the full range of commercial heat requirements, from relatively small heat users such as hotels, right up to the largest users such as meat and dairy processors.

In the year ahead we look forward to initiatives that will incentivize the uptake of wood fuels and pellets. We will work with the key players in the sector to identify opportunities for increased opportunities to use wood fuel. Clearly, given the gas interruption I just mentioned it would seem that the risk management approach to security of supply is something worth focusing on.

We look forward to a more certain future for the biodiesel industry in New Zealand and initiatives that will maximize our biogas expertise and resources here in New Zealand. As an Association, our focus will be on securing funding to implement the tasks identified in the GAPS Analysis and Implementation Plan. We note our ongoing positive and productive relationships with both EECA and NZTE. These relationships continue to go from strength to strength. They enable the delivery of resources, networking and opportunities for learning. We also look forward to broadening our sphere of influence and in developing relationships with other leading Ministries. In particular I note the potential of Maori landowners to benefit from bioenergy opportunities and the opportunity presented by bioenergy for wider transport use. As an Association there is much value that we can add in a partnership approach to delivering on Government Policies and Programmes and a win-win for New Zealand and New Zealanders.

Finally, a thank you to Members for your continued support, for the Interest Groups for your contributions to our work this year, and to the Board for all your time and effort.

Thank you.

Rob Mallinson

Chair, Bioenergy Association of NZ