



## Report from the Executive Officer

### BANZ Activities Report for the 2010-2011 year

29<sup>th</sup> December 2011

The past year has been a very busy and exciting one and we have made more progress in one year than probably the whole of the preceding decade. Focus has been firmly on moving to implement the **New Zealand Bioenergy Strategy** that we released in September 2010<sup>1</sup>. The Strategy has been by far our most significant step forward as an Association and for bioenergy in New Zealand for several years, but more significantly has been the endorsement it has received from Government by its inclusion within the Government's New Zealand Energy Strategy.

Following on from the release of the Bioenergy Strategy last year, our efforts in this year have focused on the development of two key supporting documents:

- Gaps Analysis and Implementation Plan
- Economic Analysis of the Bioenergy Strategy

And assisting with the NZTE led Bioenergy Mission to Canada

**The Gaps Analysis and Implementation Plan** – This report is about us organising ourselves and our industry into setting into motion what it is that we need to turn the bioenergy potential into reality. Essentially it sets out the areas that we need to focus on going forward if we are to deliver on the Bioenergy Strategy vision of:

*"Economic growth and employment built on New Zealand's capability and expertise in growing and processing wood-crops and converting organic by-products to energy, leading to new business opportunities which by 2040 supply more than 25% of the country's energy needs, including 30% of the country's transport fuels".*

In order to achieve this we have identified areas such as research, business and commercialisation, and knowledge and skill development which warrant attention and dedicated activities aimed at providing the assistance that will best support BANZ members to realize the benefits from bioenergy opportunities.

**Economic Analysis of the Bioenergy Strategy** - This study was an essential component of the evidence we need to demonstrate that the Bioenergy Strategy does deliver added value for participants and to the New Zealand economy. The analysis shows that implementation of the Strategy can by 2040

- increase real GDP by \$6.1 billion
- increase employment by an extra 27,000 full-time equivalent positions, and
- improve the NZ trade balance by more than \$1.9 billion.

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<sup>1</sup> See <http://www.bioenergy.org.nz/#NZBioenergyStrategy>

These are encouraging benefits and they are only the tip of the iceberg. We have yet to assess the full value of the externalities, the added benefits such as environmental, social and associated business developments.

## **New Zealand Energy Strategy and Energy Efficiency and Conservation Strategy**

The August launch of the Government's New Zealand Energy Strategy gave bioenergy the recognition that it has long needed by confirming its valid contribution to wider energy supply and climate change goals. Biomass generally and the Bioenergy Strategy specifically are referenced extensively throughout the document. I note:

*The New Zealand **bioenergy** strategy, developed in 2010 by the bioenergy and forest industries, is a good example of these industries working across their sectors and with business customers to create greater value from New Zealand's forestry and other biological resources. Over the next five years, the industry will develop markets for existing biomass and waste resources to build the platform for future innovation.*

***Biomass** is another resource that has considerable potential. The Government will encourage biomass-to-energy development, including through working with industry to support its **bioenergy strategy**.*

*Government priorities for energy research, development, and deployment support are with **bioenergy**, marine, geothermal, petroleum, smart electricity network technologies and energy efficiency (at all levels of supply, infrastructure and demand).*

*The Government's policies, to facilitate development of renewable energy in all forms, including for electricity, **biofuels** and direct heating, will also assist in lowering emissions.*

*Extensive farming and forestry options mean **biomass** could be a source of electricity, heat or **biofuels**.*

*Opportunities also exist for firms to consider using renewable energy sources, such as **biomass** or geothermal heat on-site for their heating, fuel, and electricity needs.*

*Assist industry to recognise and exploit opportunities for utilisation of geothermal and **bioenergy** sources.*

In addition the Energy efficiency and conservation strategy set out:

***Transport objective** - A more energy efficient transport system, with a **greater diversity of fuels and alternative energy technologies**. (MOT the lead agency)*

***Policy** - The Government recognises that **alternative transport fuels derived from a range of sources have the potential to contribute to the development of a more energy efficient transport system**. The Government supports the actions of industry, such as the aviation industry's efforts to develop sustainable alternative fuels and to implement fuel and energy efficient measures, as air transport is strategically important to New Zealand industry.*

*In the longer term, **investment in oil alternatives will boost transport energy security**.*

*More efficient use and greater use of alternative transport fuels can reduce our exposure to oil prices. It is therefore a long-term strategic priority for New Zealand to ensure that energy efficiency opportunities in the transport sector are fully realised.*

*The Government will: Encourage the entry of alternative fuels and electric vehicles in the New Zealand*

***Business objective** – 17PJ of additional heat or fuel from biomass and geothermal sources to be used annually by 2025 (MED and EECA the lead agencies)*

While the Government has indicated support and targets we now need to turn it into reality and ensure its not something that will just languish on a government shelf somewhere? We need to turn these words into actions - that is our challenge. We know from experience that it will be down to industry to make this happen.

## **Canada trip**

In May, NZTE led a Bioenergy Mission to Canada visiting people and sites across Canada who were either producing liquid biofuels from wood or were in an advanced stage of commercialising specific technology. The Mission included representatives of the NZ forest, wood processing and bioenergy sectors who were actively considering the opportunities for investment in the production of advanced biofuels (biodiesel, bioethanol) from New Zealand's vast quantities of wood, much of which as harvest or process residues may currently be either wasted or have low value uses.

The purpose of the trip was to see on the ground what Canada has achieved in its bioenergy sector and indeed to cement an already growing relationship with CanBio our Canadian equivalent. We saw firsthand what a commitment from Government to facilitate the growth and expansion of bioenergy can really do in terms of maximizing land value and boosting jobs.

## **A Strategic Approach**

We now have a very visible focus which, through the project partners for the Strategy Report, has cemented some very strategic relationships into place that will provide a strong foundation for moving forward. A specific mention of NZFOA, NZBIO, HERA, NZ Institute of Forestry, Future Forests Research, Forest Industry Contractors Association and NZ Farm Forestry Association – each of which BANZ works closely. Strong support and co-operation has been received from the Energy Efficiency and Conservation Authority (EECA) and New Zealand Trade and Enterprise (NZTE).

BANZ also works closely with Bioenergy Australia with significant involvement in their annual conference.

The Strategy has achieved a level of profile for the Association hitherto unthought-of and its mention in the Energy Strategies cements it in place. Added to this, the economic analysis and the GAPS Report and we have at long last set out the ideas, the potential and the reasoning behind them to take to Government seeking initiatives for support and action.

With the commitment to investigating 'alternative fuels' as set out in the Government's Energy Strategies, it is now time that we engage with Te Puni Kokori, Federated Farmers and the Ministry of Transport to ensure that they are suitably well informed and that they have initiatives in place. Involvement with MED and MAF is however our biggest challenge as they should be the lead policy agencies in this area but they have taken no interest.

Transport is crucial to New Zealand so needs to be a focus for attention, building on our already well established heat market.

Territorial councils will also be a focus for attention as their regulatory approach can be a barrier to bioenergy despite the significant benefits that bioenergy initiatives can deliver communities.

## **Events 2011**

Our biggest event this year was our Liquid Biofuels event in July. I give this specific mention because it again highlights the valuable and important working relationship that we have with EECA. In past years we held back to back biofuels events with EECA thereby giving the strongest possible reason for interested parties to make the trip to Wellington. This year, there was no EECA event but EECA very visibly supported the BANZ

event making it, in my view, the best to date so far. The event has been important in two contexts. First – to keep the biofuels profile in New Zealand alive. Biofuels are growing in popularity in New Zealand – the sales and production data confirms that; their use is consistent with our ‘clean, green’ mantra but above all, their use is becoming globalised. This year we have seen several major announcements about agreements between producers, researchers and airlines. Keen to minimise their environmental impacts, it seems like the airlines have stolen the march on land transport and are committing to biofuels bigtime. New Zealand needs to make sure that as planes arrive to our shores we are able to take part in the big biofuel push and that they are able to refuel here too with biofuels. It sends a clear message to Government that their support for the biofuels industry needs some certainty in the months ahead.

Secondly, it was important at this event to clearly communicate the here and now for biofuels and the future....one leads onto the other as you might expect. Today’s producers play a crucial role in developing the market, securing customer loyalty and in short, getting New Zealand and New Zealanders used to the ideas and the ways of operating with biofuels. The event demonstrated today’s successes with several users talking about their experiences but this was blended with a glimpse into the future that the production of biofuels from lignocellulose might bring. This is a future in which biofuels are developed alongside biochemicals and other bioproducts. In fact, in many countries, it’s happening already. Having identified these opportunities, they are making the commitment and the investment now. A future bioeconomy is no longer a pipedream for many – it’s the reality.

## **The Year Ahead**

With our arsenal fully stocked we now need to go into battle. In the last couple of years we have been able to focus on the development of our resources and our evidence in order to strengthen our case. We have been able to identify what is holding us back and the approaches we need to implement to remove the roadblocks.

Our priority going forward is now to take these solutions to government and the wider sector and secure funding for them. We will have to work more with policy makers to assist them make the link from bioenergy to climate change, sustainability, environmental positives, air quality benefits and waste management opportunities. Despite developing promising relationships with many government entities there remains an overriding frustration at the lack of policy coherence and inter-government co-ordination. This is an area where we have to often spend much time.

Once things have settled after the election we may have a better idea of direction and commitment to bioenergy on a number of fronts. But experience tells me too that this is unlikely. Regardless, I believe that leadership on this issue again rests with us, the industry.

In summary therefore we note the BANZ profile in the sector and amongst Officials is at its highest ever. As an industry we see growing use of liquid biofuels and growing utilization of biogas. Our heat market is well established but we need to make sure that wood fuel is always considered when new plant is sourced.

Our exports of wood pellets to Europe confirms our ability to produce high quality fuel and our challenge remains at home to convince the consumer (commercial, industrial and residential alike) of the merits of wood fuels.

Working together we can secure a slice of that bigger prize for New Zealand businesses.

Brian Cox  
Executive Officer