

ETS regulation updates  
Ministry for the Environment,  
PO Box 10362,  
Wellington 6143

[etsconsultation@mfe.govt.nz](mailto:etsconsultation@mfe.govt.nz)

Submission from the Bioenergy Association

## **Proposed changes to regulations for the New Zealand Emissions Trading Scheme 2022**

The Bioenergy Association is pleased to make this submission on the proposals in the discussion document *Proposed changes to regulations for the New Zealand Emissions Trading Scheme 2022*.

The association submission is limited to the proposed change to the Climate Change (Liquid Fossil Fuels) Regulations 2008.

### **Our stakeholders**

The Bioenergy Association represents a significant portion of owners of biomass fueled facilities, biomass fuel producers and suppliers, waste-to-energy investors and their consultants, researchers and equipment/appliance suppliers across New Zealand. It has members who have a specific interest in the policies and regulations relating to the sourcing, production, distribution and utilisation of liquid biofuels.

The Association has Interest Groups whose members manage the Association's specific technical matters relating to the use of solid biofuels, production and use of gaseous biofuels, and liquid biofuel sectors, specifically with regard to standards and best practice. The Interest Groups monitor the regulatory environment and advocate for the respective sectors. This submission is on behalf of the Liquid Biofuels Interest Group.

This submission is complementary to the individual submissions from members which provide more detail on specific aspects of the discussion document.

### **Main points in our submission**

The Bioenergy Association supports Option 2.

While the proposed change to the regulations is likely to only have an impact on Air New Zealand (Air NZ) as the only current "opt-in obligation fuel participant" in the ETS, the proposed changes also affect fuel suppliers and future "opt-in obligation fuel participants" in regard to the level of information provided.

On balance the priority for the regulations should be on supporting the initiatives of early biofuel sector participants such as Air NZ. There are already significant barriers to the uptake of liquid biofuels so any participant should be able to maximise the benefits of early participation. Liquid biofuels such as Sustainable Aviation Fuel (SAF) are more expensive than fossil fuels, so the regulations should ensure that the participant is able to maximise the benefits of their investment.

Responses to specific questions and details are set out below.

## Response to questions

### **11. To what extent do you agree with the way we have described the issue? Please explain any additional aspects of the problem you think we should consider.**

The current Climate Change (Liquid Fossil Fuels) Regulations 2008 act as a barrier to private sector funded decarbonisation action. Under the current option (Option 1 in the document) any biofuel purchased by Air NZ (as an opt-in fuel participant) would be loaded into the NZ fuel system and co-mingled with other fuel. All airlines would fly on the fuel, therefore the emission reduction benefits would be shared between all participants, despite Air NZ paying the premium for the biofuel. Option 2 offers a pragmatic solution to this barrier as it incentivises greater action from the private sector and represents a cost-effective “quick win” with positive flow on effects for wider biofuel adoption.

Option 1 will act as a disincentive to private sector investment in biofuels and will slow decarbonisation in the transport sector. Private sector participants that fund decarbonisation measured under the New Zealand Emissions Trading Scheme (ETS) should receive a corresponding reduction in ETS compliance obligations – sharing privately funded decarbonisation benefits with less progressive competitors is not aligned with commercial reality.

Given the cost realities of SAF – being 2-5 times the price of its fossil equivalent – it is important to an airline such as Air NZ that it gets the full ETS benefit from any SAF purchased to go some way in closing the commercial gap.

Despite not directly impacting other organisations, allowing the status quo to continue (Option 1) will cement a barrier to increased biofuel use and will slow uptake and production of biofuel (in the form of SAF) in New Zealand.

### **12. Do you agree that the option outlined in this consultation document is the correct one to consider? If not, why not?**

Under the chain of custody option (Option 2- purchaser of the biofuel gets the ETS benefit) any biofuel purchased by Air NZ as an opt-in fuel participant would be loaded into the NZ fuel system, but the environmental attributes would be allocated to Air NZ and deducted from the volume of NZUs Air NZ needs to surrender to the government to meet ETS compliance obligations, notwithstanding the fact all airlines flew on the fuel.

The proposed changes will currently only directly impact Air NZ (as currently the only “opt-in obligation fuel participant” in the ETS) and it will require slight changes to the level of information provided by obligation fuel providers (i.e., Z Energy, Mobil, BP– the companies providing Air NZ fuel).

### **13. Do you have views on the timing for implementing this update?**

As potential biofuel users are currently evaluating options for reducing their emissions, the changes should be made and implemented as quickly as possible. Uncertainty will affect commercial decision making and future investments by businesses and may result in lack of progress for large-scale emissions reductions.

**14. Do you think there are any other options to consider for addressing this issue?**

No. Option 2 follows the same “chain of custody” principle adopted in the EU ETS, UK ETS and the Greenhouse Gas Protocol.

The consultation document suggests Option 2 will require additional information from participants and administrative adjustments, however the Association perceives this administrative burden to be overstated in the consultation document. The need to accelerate New Zealand’s transition to a low emissions economy clearly outweighs the minor administrative change.

**15. In your opinion, could the proposed change to regulations disproportionately impact Māori negatively? If so, what are the impacts? Why might they occur?**

No



Brian Cox

Executive Officer

Bioenergy Association