

26 July 2021

Sustainable Biofuels Mandate Consultation
Ministry of Business, Innovations and Employment
PO Box 1473
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Submitted via Consultation Website: energymarkets@mbie.govt.nz

Kia ora

Sustainable Biofuels Mandate Consultation: TIA Submission

Tourism Industry Aotearoa (TIA) welcomes the opportunity to comment on, and provide its overall support to, the Government's consultation paper: *Increasing the use of biofuel in transport: consultation paper on the Sustainable Biofuels Mandate*.

Overview comment

TIA sees the Consultation Paper as setting out another important component of the comprehensive and building Government response to enabling Aotearoa New Zealand to meet its 2050 net zero emissions target.

We support the intent to establish a framework for increasing the use of sustainable biofuels as means to reduce carbon emissions, especially in those sectors where current or imminent technologies (e.g. electric and hydrogen) are not available to reduce or eliminate carbon emissions.

TIA is currently developing a net zero carbon target for the tourism industry and we see the Mandate as essential for achieving that. In setting this target, however, the most difficult aspect is aviation, as set out further in this paper. We are not convinced that the current proposals for the Mandate will go far enough to ensure that the aviation sector has a viable mechanism for sharply reducing its carbon emissions. As such, we request a separate aviation-specific treatment within the Mandate.

In our consultations in preparing this submission, we have learned that other groups favour a single Mandate and have well developed reasons for this. This suggests to us that particular consideration of this point by officials and government is needed. From the tourism and aviation viewpoint, a separate aviation Mandate that is also applied to international aviation is seen as essential to get the vitally-needed sustainable aviation fuel network in place and operating in New Zealand in any useful medium-term horizon.

This submission sets out tourism-specific perspectives on the consultation paper and Attachment 1 addresses the consultation questions from this tourism perspective.

Tourism Industry Aotearoa

TIA is the peak body for the tourism industry in New Zealand. With over 1300 members, TIA represents a range of tourism-related activities including hospitality, accommodation, adventure and other activities, attractions, retail, airports and airlines, transport, as well as related-tourism services.

TIA established the tourism industry's strategic document, *Tourism 2025 & Beyond – A Sustainable Growth Framework, Kaupapa Whakapakari Tāpoi*. This has the Vision of 'Growing a sustainable tourism industry that benefits New Zealanders'.

TIA gives effect to this through the *New Zealand Tourism Sustainability Commitment - He kupu taurangi kia toitū ai te tāpoianga* that was launched in 2017 to drive to a sustainable tourism future. Refer: <https://sustainabletourism.nz/>. It has the Vision of 'Leading the world in sustainable tourism'. The TSC's carbon-related action being:

Commitment 11

Carbon Reduction – *We act urgently to contribute to Aotearoa's transition to a net zero carbon economy.*

As part of supporting this Commitment, TIA is currently investigating options for setting a carbon emission reduction target for the tourism industry. We intend to have this target in place in coming months and we see this as setting net zero carbon goals for tourism that are ahead of the Government targets.

In so doing, we will be establishing a 'stake in the ground' to focus and coalesce industry effort, and we will support this with pathways for the industry to follow. Clearly, this effort will be utilising the policies and infrastructure being established by Government towards the 2050 Goal. As such, we are very keen to ensure the industry and government interests and programmes are well aligned, mutually supportive and with the power to drive the necessary change.

Why a tourism perspective is needed

Tourism is an important part of Aotearoa New Zealand, whether the economy or society more generally. Pre-COVID-19, total annual tourism expenditure was \$42 billion, of which \$17.5 billion was international, or 21% of export earnings. Tourism directly and indirectly contributed 9.4% of GDP and 13.7% of employment.

Given these levels, it can be safely assumed that tourism activity makes up at least 10% of the transport sector. Importantly, much of this activity is across the standard transportation fleet, especially light and heavy vehicles for land transport that in terms of biofuel use can be accommodated generally in the overall approach set out in the paper.

By contrast, the aviation sector has some very specific characteristics and interests in terms of the system needed to reduce carbon emissions:

- **Firstly**, as a distant destination and with our elongated geography, air transport has a vital and irreplaceable role to play. This includes carrying people for all sorts of purposes (holidays, family connections, education, business, migration, political and diplomatic, etc.) and carrying high value freight. Putting these together, the aviation sector enables the exchange of people, ideas and freight upon which modern society is dependent.
- **Secondly**, the technologies used in aviation take time to develop and deploy for all sorts of reasons, and so there is little in the technology pipeline to indicate radical new ways to fuel the industry. Electric and hydrogen technologies are developing but these will have limited deployment in the decades ahead, especially for long-haul routes. For this reason, the development and use at scale of sustainable aviation fuels is the only viable short to medium term pathway for reducing aviation emissions. From TIA's perspective, and in the context of setting achievable net zero goals, having a practical and affordable means to reduce aviation emissions is absolutely essential. We see the Sustainable Biofuels Mandate as the platform for enabling substantive progress over the short to medium horizon. Therefore, we have a clear interest for a strong and effective system to be put in place to drive the needed changes.

TIA feedback

At an overall level, TIA supports the direction of travel set out in the paper. We consider that it will work well for the wider tourism industry given the integration of tourism across the transport modes that have a range of options for reducing carbon use – light and heavy vehicles, etc. It seems that a Sustainable Biofuels Mandate is a good and necessary vehicle for taking this matter forward.

Our assessment of the situation indicates that aviation needs specific consideration that we consider needs to be built into the Mandate programme. Our key points are:

1. **Separate Aviation Treatment.** Fundamentally there is a risk that aviation would not benefit from the system being set up, and for the tourism industry setting carbon targets, not having biofuel solutions for aviation would be a major handicap. Aviation connectivity is vitally important for so many societal reasons that need to be recognised in the Mandate process.

TIA seeks: Separate treatment of aviation within the Mandate given that sustainable fuels is the only emission reduction strategy available for the long-haul aviation sector in the short to medium terms.

2. **We need to be looking at both international and domestic aviation.** We understand that the Mandate would only apply to domestic aviation which skirts the major issues of international aviation emissions. We appreciate that international aviation does not fall under the Paris Agreement framework but rather sits under CORSIA, but for us it makes complete sense to include international aviation emissions under the Mandate. We understand that less than 20% of Air New Zealand's emissions are domestic so the international component is the large majority. Without this international component, it is very hard to see how any economies of scale could be achieved for the mitigation actions.

TIA seeks: Inclusion of international aviation within the Mandate given that the domestic sector alone will not have the necessary scale to justify the needed R&D and programme development.

3. **Significantly higher cost for Sustainable Aviation Fuels (SAFs).** We understand that SAFs are currently 3-5 times more expensive than conventional aviation fuel which is a massive hurdle to overcome, requiring a suite of supporting policies and incentives to close the gap, especially in the near term as systems are developed. Wider benefits such as regional development and effective use of biowaste can be factored into total cost/benefit considerations.

TIA seeks: Incentives must be put in place to encourage investment in sustainable aviation fuels to counter the inherent price disadvantage in the development and early uptake phases.

4. **Research and Development, and Innovation are needed.** In setting up a SAF capacity in New Zealand, provision must be made for the range of science programmes required to generate the new knowledge that will be needed, and especially in the set-up years where investment will be needed to build the required capability. New thinking and knowledge will certainly be key to achieving the results that we are all seeking.

TIA seeks: Science support for the development of sustainable aviation fuels must be a key part of the Mandate framework.

There is a common theme through these points: investment will be needed from both the public and private sectors. This means that the framework must be designed so it will attract the necessary investments for science, programme development, manufacturing capacity and distribution networks, etc.

Without this specific consideration of the eventual 'market' for sustainable aviation fuels, is it likely that the desired progress will not be achieved.

Further Input

TIA would be very pleased to contribute further and we are available to support this submission in any way. Please do not hesitate to contact me if you have any questions - 021 609 674 or bruce.bassett@tia.org.nz.

Ngā mihi

A handwritten signature in black ink, appearing to read 'B. Bassett', with a stylized flourish at the end.

Bruce Bassett
Strategy and Policy Manager

Attachment 1. TIA Responses to Consultation Questions

No.	Question	TIA Response
1	Do you support having a GHG emissions reduction mandate?	Yes. Within this, we would like to see a bespoke aviation component.
2	Do you support the proposal to require certification of lifecycle emissions of biofuels sold in New Zealand using international standards?	Yes. Transparency around the lifecycle is key to ensuring the integrity of the system. Increasingly, supply-chain circularity is being encouraged and promoted by TIA through the Tourism Sustainability Commitment and this is essentially a lifecycle approach.
3	Do you support applying the Sustainable Biofuels Mandate to all liquid transport?	Yes. A caveat might be where minority fuels might be used that don't warrant inclusion, e.g. LPG (if still used). We certainly want it to be applied to aviation fuels. Also, it is important that it is applied to all aviation fuel and not just to domestic operators. As such, all fuels used for international flights need to be included. This will be important for getting to the scale required.
4	Are the proposed initial emissions reduction percentages for 2023-2025 appropriate for New Zealand?	The levels set reflect a 'start-up' phase and this is understandable. Also, there is need for R&D and innovation in many areas, and this takes time to work through so rapid action on this will be needed. That said, TIA is keen for real progress to be made quickly so this time must be used to effectively set up for the future. Also, given the above, we support a separate aviation component, for which appropriate and realistic reduction percentages could be developed. There is a lot of work to do to switch to biofuels for a range of technical, commercial, investment and supply chain reasons.
5	Do you support having a single GHG emissions reduction percentage across all fuel types. Do you favour separate reduction percentages?	No. While we see benefit for a single reduction target approach, we favour some further breakdown and particularly we ask that aviation be separated. We understand that such a separate aviation fuel mandate is proposed for the EU. The rationale for this is the vastly different nature of the different transport modes and solutions required. For instance, light vehicles have a clear pathway with electrification, whereas aviation is tied to current technologies with biofuels as the only near-term carbon reduction option. Separate series can be added together so an aggregate position can still be determined.
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?	We are not well positioned to form a view on the exact levels. That said, raising the levels required over time must be part of the system, especially if the first few years has modest reduction levels. We also suspect that progress with aviation fuels will be determined by a range of factors including investment, policy, research and supply chain capacity rather than purely by the target set.
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. The integrity of the system is important. Such an approach will reduce the risk of biofuels being produced that actually do more harm overall than they purport to solve.

8	Do you support having a joint fuel industry/government information campaign to inform New Zealanders about biofuels and the Sustainable Biofuels Mandate?	Our interest is in the substance of this matter but appreciate an information campaign may be needed at some point.
9	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?	Feedstocks will likely be the critical feature of a New Zealand biofuels industry and it is essentially this is set up at scale, while ensuring environmental protections. Scale will be needed to drive to affordable prices for the fuels produced. It is highly likely government support and incentives will be needed, especially in the formative years.
10	Do you agree with the method for calculating a supplier's GHG emission reduction? If not, why?	No particular view.
11	Do you think the annual reporting regime, including its offences and fines, is practical and appropriate? If not, why	The key is the independent audit process and ensuring the integrity of this.
12	Do you support the performance of fuel suppliers being published to enable consumers to reward the industry leaders in reducing GHG emissions? If not, why?	In principle, yes.
13	Will the proposed penalties encourage fuel suppliers to achieve the required emission reductions? If not, what level should they be?	No particular view. However, we would like assurance that the penalties will be high enough to ensure the required behaviour changes.
14	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? If not, why?	No particular view.
15	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? If not, why? Do you support fuel suppliers borrowing for shortfalls in emissions reductions in a year, and making the shortfall up the following year? If not, why? Do you agree with the proposal to allow trading through the use of entitlement agreements? If not, why?	No particular view. However, we would like assurances that this system of 'banking' will not disrupt the emerging market for sustainable aviation fuels.