

Setting New Zealand's post-2020 climate change target: Z Energy Submission

Objectives for the contribution

1a. We have set the following three objectives for our contribution:

- **it is seen as a fair and ambitious contribution – both by international and domestic audiences**
- **costs and impacts on society are managed appropriately**
- **it must guide New Zealand over the long term in the global transition to a low emissions world.**

Do you agree with these objectives for our contribution?

Yes

1b. What is most important to you?

The above objectives are of equal importance to Z. Fairness and ambition are both critical requirements to the widespread buy-in, integrity, and eventual operability of New Zealand's policy response to the chosen level of contribution. What is important to the efficacy of any policy framework is its long-term certainty.

The products the New Zealand transport fuels industry sells collectively accounts for 17% of New Zealand's total greenhouse gas emissions. At Z, we continue to work hard to be in the middle of the greenhouse gas solution rather than at the centre of the problem.

Z believes that an ambitious but equitable climate change policy framework, which transitions New Zealand and the world to a low-emissions future, is achievable for a country the size and profile of ours.

What would be a fair contribution for New Zealand?

2. What do you think the nature of New Zealand's emissions and economy means for the level of target that we set?

The Government's Discussion Document errs on the side of the challenges New Zealand faces when deciding on a target. New Zealand may be uniquely placed in terms of our agricultural emissions, and our national circumstances, but we are equally uniquely placed to lead on developing low-carbon solutions that support, enhance and potentially advantage our economy.

What the Discussion Document does not appear to factor in is the potential benefit to the economy of job creation through innovative, cleaner technologies and fuels. Treating the challenge of climate change solely as an economic cost runs the risk of ignoring the opportunity to focus on the benefits of investment in low-carbon alternatives that sets New Zealand up for a lower-emissions future, and avoids facing the ongoing cost of rising emissions.

Z believes that New Zealand's contribution could match the European Union's pledge to reduce greenhouse gas emissions by 40% by 2030. Europe has cut per capita emissions from nine tonnes in 1990 to 7.5 tonnes today and its post-2020 commitment is expected to cut them further to six tonnes. New Zealand's per capita emissions are about 17 tonnes, and are increasing. We support Minister Groser's assertion in the Discussion Document that, while New Zealand's emissions are small on the global scale, New Zealand is already recognised as a constructive global player; and that the Paris COP represents a real opportunity to deliver a response that is effective in getting all countries to act. We encourage the Government to be ambitious in ensuring the longevity of this constructive diplomatic reputation.

How will our contribution affect New Zealanders?

3. What level of cost is appropriate for New Zealand to reduce its greenhouse gas emissions? For example, what do you think would be a reasonable impact on annual household consumption?

As per the *Stern Review*, the benefits of early action on climate change outweigh the costs of not acting. Without action, the overall costs of climate change will be equivalent to losing approximately 5% of global gross domestic product (GDP) each year, now and into the future. Including a wider range of risks and impacts could increase this to 20% of GDP or more, also indefinitelyⁱ.

Seen in this light, the costs of *inaction* over time will disproportionately affect lower-income New Zealand households; particularly those costs that can be passed through by larger emitters.

4. Of the opportunities for New Zealand to reduce its emissions (as outlined on page 15 of the discussion document), which do you think are the most likely to occur, or be most important for New Zealand?

1) Electric vehicle technology: We appreciate the clear steer recently from the Minister of Energy in looking at ways in which the Government can increase the uptake of electric cars in New Zealand. We are currently investigating further investment in public charging infrastructure, and see a clear role for growing penetration of electric vehicle technology over time. As a transport energy company with no upstream oil or gas interests, Z is uniquely positioned within the transport energy sector to participate in an increasingly electricity-fuelled future.

2) Biofuel technology: Z believes the most material way to reduce emissions from liquid transport fuels is in encouraging a healthy domestic biofuel industry. Currently New Zealand lags most of the developed world in this space and Z believes there are significant opportunities that could be realised from concerted effort and support in this space.

Z is investing in an alternate energy future, and building the only commercial biofuels plant in a non-government subsidised jurisdiction. Z is reassured to note that the Discussion Document refers specifically to emerging biofuel technologies from inedible tallow, such as that which will be produced by Z at our \$25m biodiesel plant currently under construction at Wiri in South Auckland. Depending on commercial and retail consumer uptake, this solution is easily scalable, and replicable in other parts of the country.

We encourage a level of certainty in the Government's climate change policy framework over a period of time so that businesses can make significant investments in the knowledge that the rules are unlikely to change part-way through recovering the investment.

Z also encourages a level playing field when developing a policy framework. As an example of the lack of an even playing field, at this time, ethanol (whether locally produced or imported) is taxed at a significantly lower rate than petrol, meaning ethanol blended fuels enjoy a tax advantage. However, we have had no reassurance that this policy would remain in place if major suppliers started blending ethanol into their fuel. There has also been a biofuels mandate and a biodiesel grant introduced and then removed over the last decade. On top of this uncertainty, locally produced biofuels from indigenous feedstock that doesn't disrupt food production enjoys no such support, and would be taxed at the same rate as mineral fuels. This is a major barrier to much broader commercial biofuel production in New Zealand.

In our opinion, there are a number of ways policy settings could encourage the use of sustainably produced biofuels in New Zealand. This could take the form of incentives, subsidies, mandates, tax credits, or even grants. Z would support the re-introduction of a Biodiesel Grants Scheme, similar to that introduced under the current Government in 2009, and disestablished in 2012.

Summary

5. How should New Zealand take into account the future uncertainties of technologies and costs when setting its target?

Moving to a low-carbon economy presents New Zealand with an economic opportunity. Specifically with regard to biofuel production, we encourage a narrowing of focus on technology that works with our available feedstocks and creates a scalable domestic biofuel supply. The year-long "Stump to Pump" Primary Growth Partnership Z was involved with last year, along with the Ministry of Primary Industries and Norske Skog Tasman, resulted in a significant amount of technical understanding around the possibility of producing fuel from forestry waste. Z encourages and supports further collaboration between research institutes, private sector and government to pool funding and focus on technology that is tailored to the New Zealand context.

In terms of uncertain costs, Z notes the cost of *inaction* on climate change. Recently-published information sourced from the Treasuryⁱⁱ indicates that failing to take action to reduce emissions could cost New Zealand between \$3 billion and \$52 billion from 2021 to 2030. Where there is more clarity on the economic and reputational risks of inaction, and on the proven science of climate change, Z supports ambitious action towards consistent and effective policy mechanisms in order to meet this opportunity.

Other comments

6. Is there any further information you wish the Government to consider? Please explain.

Whatever emissions targets the Government commits to at the Paris COP, New Zealand needs a national strategy for how we can achieve them and an agreed set of actions. Improving the New Zealand Emissions Trading Scheme should be part – but only part – of the solution to New Zealand's growing domestic emissions profile.

At Z we believe all parts of the economy have a role to play in reducing our emissions, from government and the public sector to households and the private sector. We believe New Zealand has the opportunity to meaningfully contribute to innovative and constructive solutions to climate change, and to benefit economically from them; locally and globally. Z is committed to being a part of this journey.

ⁱ Stern, N. (2006). "[Stern Review on The Economics of Climate Change \(pre-publication edition\). Executive Summary](#)". HM Treasury, London; 31 January 2010.

ⁱⁱ <http://www.scoop.co.nz/stories/PA1412/S00156/failure-to-cut-emissions-could-cost-34000-per-household.htm>



3 June 2015

Submission on setting New Zealand's post-2020 climate change target

Thank you for the opportunity to provide feedback on New Zealand's post-2020 climate change contribution under the United Nations Framework Convention on Climate Change (UNFCCC).

Z Energy is consistently on the record as acknowledging that the industry we operate within, and the products we sell, contribute to New Zealand's carbon emissions profile. We acknowledge and accept the science of climate change and believe that, as a transport energy company with no upstream oil and gas exploration interests, we are in a unique position to move from being part of this problem, to being at the heart of the solution.

Z acknowledges the uncertainties around the policy and financial instruments needed to tackle New Zealand's unique emissions profile, and that any carbon market mechanism must be truly fungible, equitable, and sensible. However, we do not see New Zealand's emissions profile as being an insurmountable barrier to the ability to lead innovative and meaningful change in the creation of climate change policy solutions. As a company which has set some bold and ambitious sustainability targets without a clear roadmap as to how to achieve them, we encourage the Government to be bold, and to take advantage of New Zealand's trusted international reputation, our innovative and nimble capabilities, and to create opportunities which result in social, economic, and environmental sustainability.

A nationally-appropriate contribution to a global climate change agreement is not an insurmountable commitment for a country with New Zealand's attributes. We believe we do still have the global credibility to demand cohesive and ambitious international action.

The Government's Discussion Document on New Zealand's contribution to the new international climate change agreement focusses heavily on the trade-offs and complexities New Zealand would face in establishing an integrated and ambitious climate change policy. We feel that, instead of positioning New Zealand as being uniquely hamstrung by a set of circumstances that our emissions profile presents us with, the Government should instead lean positively into the opportunities New Zealand can trade on given the highly reputable, renewable, and innovative framework we exist in. We look forward

to a separate conversation on domestic policy certainty as it is developed, post the Paris COP.

Z Energy is in a strong position to contribute meaningfully to a credible, integral low-carbon future for New Zealand; and we are proving this commitment in part through our investment in New Zealand's only commercial-scale biodiesel plant, currently under construction at Wiri, in South Auckland. This sort of business leadership should not be taken for granted, however, and we encourage consistency in the Government's climate change policy settings, so that we can make such investments in the knowledge that the rules are unlikely to change part-way through recovering the investment.

Z supports the Government taking a bold, ambitious, and flexible stance to the UNFCCC COP21 meeting in Paris in December, and to trust in New Zealanders' ability to face into the challenge.

A handwritten signature in blue ink, appearing to read "Mike Bennetts". The signature is fluid and cursive, with a prominent initial "M" and a long, sweeping underline.

Mike Bennetts
Chief Executive