



tourism
INDUSTRY
ASSOCIATION NEW ZEALAND

Biofuel Bill

**Submission to the Local Government and Environment
Select Committee**

31 January 2008

Introduction

1. This submission is from the Tourism Industry Association New Zealand (TIA), located at level 4, Travel and Tourism House, 69-71 Boulcott Street, Wellington. Attached as Appendix 1 is a profile of our organisation and who we represent.
2. If you wish to contact us regarding this submission, in the first instance, please telephone Simon Wallace, Policy Manager on 04 494 1842 or 0272 489 375. Alternatively, you can e-mail him at simon.wallace@tianza.org.nz
3. In 2007, our Association made a submission to the government on the Draft Energy Strategy in which it set out its position on bio-fuels. The position of the industry is largely unchanged since then and is reflected in this submission but with some additions.
4. In accordance with the conditions of lodging a submission to a parliamentary Select Committee, TIA has no objection to the contents of the submission being made a matter of public record. On this occasion, we do not need to appear in person before the Committee.

Comment

5. The tourism industry supports in principle the increased use of bio-fuels as a renewable energy source, but at a practical level it has some concerns that such fuels may not be easy to access or affordable. Biofuels are an alternative to higher emission fossil fuels but they have three major challenges in a New Zealand situation:
 - they are yet to be properly tested;
 - there is no reliable supply system; and
 - they are known to be expensive

Readiness of fleets

6. Collectively, tourism operators have invested millions of dollars in plant and the government's minimum sales obligation of 3.4% by 2012 must come with guarantees that biofuels will not cause mechanical problems of a serious or long-term nature. Volumetrically, biofuels are larger than diesel and this too could pose some challenges in the modification or adaptation of existing fleets.
7. Tourism operators, as with other businesses, cannot react to short term energy and climate change policy shifts, such as those announced for bio-fuels. By way of example, Intercity, which operates New Zealand's largest bus passenger network, replaces its fleet of coaches every eight to ten years at a cost of approximately \$40 to \$50 million. The vehicles Intercity builds next year must be able to meet the bio-fuel policy requirements of 2016, not 2009 or even 2012. This means a solid framework must be established over a reasonable period of

time with a focus on the managed implementation over time of bio-fuels or for that matter, other renewable energy sources.

***Intercity** – Intercity operates a modern fuel efficient fleet. The company voluntarily meets European Union EURO3 standards that relate to both fuel efficiency and carbon emissions – this means they carry 30 percent more passengers and use 15 percent less fuel leading to a reduction in base emissions. Intercity also voluntarily builds all its vehicles in New Zealand rather than importing vehicles that are often less fuel efficient.*

8. Most vehicles built to Euro 3 standards will be able to operate on European standard biofuels, but older vehicles, especially those imported in large numbers in recent years will not. TIA believes the Biofuel Bill would be enhanced if it set in regulation a limit on the age of vehicles able to be used commercially in New Zealand. In its submission to the Draft Energy Strategy last year, TIA noted its support for restricting the import of second hand vehicles not meeting European emission standards and said the government should move immediately to close off all second hand vehicle imports below European standards.
9. The industry readily acknowledges that current vehicle import regulations have led to a declining standard in the environmental quality of buses and coaches operating on the country's roads, posing a threat to the industry's reputation in New Zealand. TIA supports all vehicles imported into New Zealand meeting a minimum Euro standard now and a Euro 3 standard by 2012. In our view that would clean up the bottom end of the imports and mean the current drive towards biofuels is more than just a token gesture. .
10. It is important to note that not all emission reductions are the result of fuel savings. Euro 4 engines burn the same fuel levels as Euro 3 engines but have substantially lower carbon, sulphur and particulate emissions because of new technologies within the engine. However, there is no incentive within the Biofuel Bill to move to from a Euro 3 engine to a Euro 4 engine which costs 15% more.
11. TIA remains concerned that not enough use is being made of regulations and controls that exist within current legislation. For example, it is our understanding that Land Transport New Zealand (LTNZ) and the Ministry of Transport (MOT) are working to develop and apply stricter rules on vehicle emissions and the standards of imported vehicles within the current legislative framework. The Association believes this is important in terms of increasing the uptake of biofuels and would like to see the work given renewed priority.

Supply

12. Supply is without a doubt a major barrier to the take-up of biofuels. Tourism services are not confined to defined geographical areas as industries such as forestry and manufacturing generally are. Supply of biofuels in a tourism context would need to be available in a variety of locations, such as service stations, airports and rental car depots. Biofuels will also require certification to be used in marine and other environs, especially in National Parks and in other

parts of the conservation estate. Continuity of supply and geographic distribution of supply are therefore critical.

Standards

13. It will be important that in the move to biofuels, the country adopts internationally recognised quality assurance standards. New Zealand's fossil based fuels, particularly diesel, are currently amongst the lowest grade of any developed country, so any move to adopt low grade biofuels would run counter to the government's aims to promote quality renewable energy sources. Unnecessarily hasty implementation of the biofuel policy risks compromising quality assurance standards.

International Developments

14. Recent discussion, particularly amongst decision-makers in the European Union, has cast some doubt as to the efficacy of biofuels. European reports have suggested that the European Union's target of getting 10% of the bloc's road fuel from plants could lead to more rainforest destruction and drive up food prices with conversion to fuel crops.¹ At the same time, it has been reported that increased deforestation and the move to plant crops for biofuels may perversely lead to even larger emissions. An excerpt from the report on the BBC Europe news website stated:

*“in reality, policy decisions about biofuels involve difficult trade-offs: carbon benefits versus other environmental benefits; food security versus export development; efficient large-scale production versus smaller-scale or mixed production systems that deliver more equitable rural development”.*²

15. TIA believes the Committee would be well served in familiarising itself with the body of evidence originating from the European Union around the efficacy of biofuels, so that New Zealand does not find itself in a similar position. In this regard, the Association thinks the Biofuel Bill must set minimum requirements for where biofuels are sourced from for supply in New Zealand.

Other Alternative Fuels

16. With the current concern about the efficacy of biofuels, TIA suggests that greater consideration be given to the use of alternative energy options. If use of alternative fuels improves energy efficiency and reduces carbon emissions at a competitive cost, then this makes good business sense. There are a number of operators in the tourism industry that currently utilise alternative energy sources and methods to run their fleets.

¹ BBC News Europe website, 15 January 2008

² *ibid*

Conclusion

17. As stated, the tourism industry supports the government's intent to implement policies in order to counter climate change impacts. Biofuel is just one of many renewable energy sources that could contribute to a reduction in New Zealand's net greenhouse gas emissions that should be considered. In practice, without a practicable lead-in time for tourism companies to adapt fleets and in the absence of an accessible and affordable supply chain, it will be difficult for the industry to meet the biofuel sales obligations required by the government. There is also an absence of quality assurance standards to monitor the use and effectiveness of biofuels. To encourage take-up, government incentives, such as tax write offs on depreciating plant , may be the kind of incentive needed to make sure more companies can use biofuels.

Appendix 1 - Background Information on the Tourism Industry Association New Zealand (TIA)

1. The Tourism Industry Association New Zealand (TIA) advocates for the interests of the tourism industry in New Zealand. The businesses we represent generate more than 85% of New Zealand's tourism-related revenue.
2. Tourism is an \$18.6 billion industry (\$8.3b from international and \$10.3b from domestic tourism) with international tourist expenditure accounting for 19.2% of New Zealand's total export earnings.³ The industry, directly and indirectly, employs 1 in 10 New Zealanders in a diverse range of businesses – the majority of which are small and medium sized enterprises. Not only is tourism important because of its size, representing 8.9% of New Zealand's GDP, it is:
 - Highly employment intensive;
 - Regionally disparate; and
 - Very diverse - ranging from large stock exchange listed companies to small cottage industries.
3. These businesses cover a range of tourism-related activities – hospitality, transport, adventure and activities, attractions and retail and related tourism services. In many cases, regional tourism businesses have developed around regional assets divested by other industries and have revitalised those assets and the communities that depend on them.
4. The tourism industry in New Zealand consists of more than 8,000 small and medium sized businesses. Of these businesses, most employ less than five people.
5. New Zealand welcomes more than two million overseas visitors to its shores every year. The domestic tourism industry is also important in helping sustain a vibrant tourism industry. TIA estimates that over 75 million visitor nights are purchased by New Zealanders every year.

³ “Key Tourism Statistics – July 2007”, Ministry of Tourism website