

**AA Submission: Draft NZ Energy Strategy and
NZ Energy Efficiency & Conservation Strategy
(2 September 2010)**

2 September 2010

Draft Energy Strategies
Ministry of Economic Development
PO Box 1473
WELLINGTON
Email: nzes@med.govt.nz

Dear Sir/Madam

**DRAFT NEW ZEALAND ENERGY STRATEGY and
DRAFT NEW ZEALAND ENERGY EFFICIENCY & CONSERVATION STRATEGY**

Introduction

The New Zealand Automobile Association (NZAA) welcomes the opportunity to provide comment on the draft NZ Energy Strategy (NZES) and NZ Energy Efficiency & Conservation Strategy (NZECS).

As the largest member-based organisation in New Zealand, representing 1.3 million vehicle owners and drivers, the NZAA has a strong interest in issues that may impact on the use of motor vehicles and the cost of motoring, and the development of policies which could affect personal mobility.

Our comments on the specific transport-related objectives or areas of focus for which we have feedback are provided below:

NZ Energy Strategy

Areas of focus 2: Develop renewable energy resources

While the NZAA had reservations about mandating biofuel use under the former Biofuel Sales Obligation, NZ appears to have gone from one extreme to the other with a fuel excise holiday or equivalent biodiesel grant now the only tool to encourage the development and uptake of biofuels which only just makes them economic relative to mineral fuels – without taking into consideration the cost of establishing production facilities.

The strategy should identify the barriers to the uptake of biofuels and the establishment of domestic feedstocks and production facilities, and establish strategies for minimising these impediments which may be a mix between the present free-market approach and intervention like the former BSO mandate. The NZES should consider what volume of locally-sourced biofuels is desirable in future, both for fuel security and reducing emissions, and how developing supply and creating demand to meet that goal will be achieved.

The strategy notes that the Government will encourage biomass-to-energy development which should include investing in research programmes to develop and deploy advanced biofuels technologies.

Area of focus 5: Oil security and transport

New Zealand faces the challenge of delivering a secure supply of transport energy into the future, which is both affordable and environmentally responsible. We concur with the NZES that diversifying transport energy sources will help NZ's energy security and resilience to higher or more volatile fuel prices. The NZES needs to ensure that future sources will meet the demand for transport services, both economic and personal mobility, and maintain reliable supplies of fuel during any short-term disruptions. The development of domestic fuel sources, both mineral and renewable, will support these objectives.

Area of focus 9: An energy efficient transport system

The importance of roading improvements that reduce congestion should not be underestimated, and so it is pleasing to see the Government's emphasis on developing Roads of National Significance which will also deliver benefits for energy efficiency. The Government could further promote fuel conservation by actively encouraging intelligent land use planning, integrated transport planning and ITS to avoid congestion and improve traffic flow. The implications of urban development on transport infrastructure and its use should be considered, for example pressure on the surrounding roads and limiting the number of access points onto the state highway network and also financial contributions from developers.

The NZAA also supports government investment in public transport, provided that funding is spent appropriately on well-researched, cost-effective projects that will make a difference. Any additional funding however should not come from road user charges or excise duty collected from the motorist, nor spent at the expense of road improvements and road safety. Encouragement of alternative modes should minimise conflict and risk to vulnerable road users, such as by creating dedicated cycleways, while public transport hubs should provide sufficient parking to attract users.

NZ Energy Efficiency & Conservation Strategy

Objective (Transport): A more energy efficient transport system with a greater diversity of fuels and renewable energy technologies

The two key options in the transport sector when it comes to energy are using less energy (increasing energy efficiency) and/or using better energy (low emissions and/or renewable energy sources).

The NZAA supports initiatives in the strategy that will improve the rate of energy efficiency gain in the fleet such as fuel economy labelling and the *fuelsaver* and *rightcar* websites. These will not only reduce consumption, but also save motorists money. However more could be done to actively promote these initiatives, including mandatory publishing of economy information on marque websites and in promotional material and advertising. Consideration should also be given to establishing a class standard so that the most efficient vehicles in each class can be readily recognised even if it is not the maximum 6-stars, similar in concept to the *EnergyStar* label on appliances and home electronics.

The NZAA strongly supports the strategy's action to promote efficient business fleet management through programmes such as SAFED which we encourage to be extended to light vehicle fleets including mandatory training for all Government drivers and large taxi fleets. Similar voluntary programmes could be developed for private motorists and we would support active promotion of such programmes and fuel-efficient driving techniques through mainstream media which is also proven to have significant road safety benefits. These types of programmes have shown fuel savings of up to 30% are possible just by adopting a smoother,

safer driving style and the NZAA believes they offer the best opportunity to reduce energy use in the transport sector. Importantly, these savings can be made using the existing fleet and do not require additional capital investment.

The uptake of programmes such as SAFED could be encouraged by offering Fringe Benefit Tax discounts for fleets that have implemented the programme, and similarly through ACC and insurance discounts for fleets that demonstrate proven reductions in accidents or claim costs resulting from professional driver training.

The NZAA welcomes the action to improve efficiency and reliability of key freight and metro networks, and achieving better integration of freight modes across modes. We understand work is underway to identify and upgrade high productivity motor vehicle (HPMV) routes under the new permit regime, and caution that the assessment of permits should consider whether they supplement rail, even if they offer savings in fuel consumption. The strategy should also encourage greater use of intelligent transport systems and uptake of GPS systems in fleets to reduce congestion and travel distances.

We also suggest another action be added of reviewing the Road User Charges (RUC) for light, efficient diesel vehicles, which are penalised under the current regime by paying similar rates to heavier, less-efficient models. Addressing this anomaly will help increase the uptake of efficient, low-emission diesels, thereby contributing to the NEECS objectives. In the medium-term, work should also be undertaken to establish a distance-based charging regime for all vehicles (instead of fuel excise for petrol vehicles), as it is a fairer way of requiring frequent users of the road to fund roads to a greater extent than those road users who travel infrequently. More transparent road user charging would also contribute to energy efficiency and conservation goals, whereas currently owners receive mixed signals due to the incomparable road tax regimes.

In regards to the policy action of encouraging biofuels and electric vehicles into the NZ market, the NZAA is supportive of measures to reduce any barriers that prevent the uptake of new technologies like electric vehicles, such as the temporary RUC exemption, but we do not support varying safety standards to facilitate the import of electric vehicles like quadricycles. For the foreseeable future, however, the uptake of electric vehicles will be limited due to cost and available charging infrastructure. The majority of vehicles on our roads will continue to be powered by internal combustion engines and so the most gains in energy efficiency and conservation will be through reducing consumption or greater use of renewable fuels.

While the NZAA is concerned about biofuel compatibility for much of NZ's aged fleet, we consider more could be done to voluntarily encourage the uptake of biofuels amongst the heavy commercial fleet and large light vehicle fleets such as Police or taxis, rather than focussing on the national vehicle fleet. That said, to ensure fleetwide compatibility in the future, the NZEECS should develop a strategy to move towards the goal of a proportion of the fleet being biofuel compatible to at least E10 or B10 by a given timeframe, provided this would not unduly restrict vehicle supply.

Several manufacturers are producing E85-compatible flex-fuel vehicles, including the Holden Commodore in Australia, although such a blend cannot currently be retailed in NZ. The NZAA considers the NZEECS should investigate the feasibility of establishing E85 refuellers in major metropolitan cities, and policies to encourage the uptake of flex-fuel vehicles by large fleets. A similar programme to increase biofuel use in heavy commercial fleets, above the maximum permitted B5 retail blend, should also be considered (such as the Queenstown Lakes Biodiesel Consortium), especially for older vehicles for which compatibility is less of an issue.

The strategy is silent on improving emissions standards for vehicles, and while the NZAA considers the pace for adopting newer standards for vehicles entering the fleet (new or used) is appropriate, we suggest another action for the NZEECS could be to investigate establishing in-service emissions standards. This would consider how an in-service emissions test could be conducted (e.g. via a WoF test) and which vehicles should be tested (age criteria, diesel or petrol, light or heavy).

Finally, the NZAA also suggests the strategy include measures to encourage the scrapping of vehicles at the end of their useful lives, such as a bounty on all vehicles entering service to encourage their eventual disposal, or campaigns targeted in certain regions or at certain vehicles, such as diesel SUVs in Auckland.

Objective (The Public Sector): Greater value for money from the public sector through increased energy efficiency

The NZAA believes the public sector should lead the way when it comes to implementing fuel-efficiency initiatives. We suggest all public sector employees (including local government) who drive fleet vehicles should be required to undergo fuel-efficient driver training courses (e.g. SAFED), which could also be optionally offered to all other staff.

We endorse the action to ensure energy-efficient equipment and vehicles are purchased, and it is pleasing to see the awarding of the first all-of-government contracts for passenger vehicles¹ will save \$18.5m over 5 years as well as improve safety and environmental standards. To that end, we suggest a minimum fuel economy standard for government fleet purchases be established, as well as requiring minimum 5-star ANCAP (or Euro NCAP) safety ratings. Likewise minimum E10 and B10 biofuel compatibility should also be specified for all purchases, including flex-fuel where E85 models are offered, such as the Holden Commodore (which is the most common police car).

Yours sincerely



Mike Noon
General Manager Motoring Affairs

¹ <http://www.beehive.govt.nz/release/government+save+185+million+vehicles>