

29 June 2022

Sustainable Biofuels Obligation  
Energy Markets Policy  
Building, Resources and Markets  
Ministry of Business, Innovation and Employment  
PO Box 1473, Wellington 6140  
New Zealand

## **AIR NEW ZEALAND SUBMISSION ON THE SUSTAINABLE BIOFUELS OBLIGATION: PROPOSALS FOR REGULATIONS**

Air New Zealand welcomes the opportunity to submit on the *Sustainable Biofuels Obligation: proposals for regulations* (the Proposals).

Air New Zealand acknowledges that the Proposals exclude aviation fuels and that an aviation-based obligation will be developed separately. Air New Zealand supports an aviation-specific mandate.

Air New Zealand is committed to decarbonising its operations. The airline is striving to reach our goal of net zero carbon emissions by 2050 by reducing actual emissions as far as possible, using offsetting as a last resort. Our decarbonisation roadmap to 2050 identifies four main levers for decarbonisation, with the most significant being the deployment of Sustainable Aviation Fuel (SAF). It should be noted that critically, SAF is the only current option for decarbonising long-haul flights. However, there is currently no SAF supply in Aotearoa or in the Asia-Pacific region.

*A SAF-specific mandate is critical to establishing SAF supply in Aotearoa*

A SAF-specific mandate is critical to establishing SAF supply in Aotearoa. With our island nation sitting at the end of a long supply chain and requiring only small volumes of jet fuel compared to Australia and others in Asia-Pacific region, policy settings that encourage investment in import supply chains and domestic production are essential. A SAF specific mandate is a foundational policy tool for providing certainty of demand and ensuring the economies of scale that are required to justify both investment in import supply chains, and domestic production.

To make SAF a reality in Aotearoa and facilitate the decarbonisation of aviation:

- Any mandate must apply to all aviation fuel uplifted in Aotearoa regardless of destination. Without this, New Zealand's export and tourism sectors cannot decarbonise. This is also required to achieve the economies of scale for domestic production and imported supply, and to prevent competitive distortions.
- Alongside a SAF-specific mandate, additional policies and investment are essential to support the establishment of a SAF industry in Aotearoa and to close the commercial gap with fossil fuel. This includes policies to prioritise feedstock for SAF production. A SAF mandate alone will not make SAF commercially viable.

Given the significance of a SAF mandate to the ability of Aotearoa's aviation, export and tourism sectors to decarbonise, its development needs to be prioritised and implemented with urgency. Air New Zealand is willing to support the development of a SAF mandate and would be willing to meet to discuss further.

#### *Biomass prioritisation for hard-to-abate sectors*

With the implementation of a road transport mandate, consideration needs to be given to how New Zealand's biomass feedstocks are prioritised across the economy. Industries that are hardest to abate with no alternative technologies available for decarbonisation must be prioritised.

Aviation, and therefore New Zealand's tourism and high value highly perishable export sectors as well as Government travel, will remain highly dependent on SAF to decarbonise out to 2050 and beyond. This is in contrast to most other transport sector emissions, which can be cost-effectively mitigated through electrification. To further support Aotearoa's transition to zero-emissions road vehicles and redirect feedstocks to the production of SAF (rather than biodiesel for light vehicles) further refinements to the Sustainable Biofuel Mandate will be required.

Air New Zealand supports prioritising feedstocks for SAF production, encouraging road vehicles to transition to electric alternatives where available and over time phasing out the biofuel mandate for non-SAF use, to redirect biomass feedstocks to domestic SAF production.

#### *Biofuel sustainability*

Sustainability must be paramount to the eligibility of biofuels under any mandate. Air New Zealand strongly supports the biofuels mandate encompassing strict sustainability criteria for feedstocks and supply chains. This is essential for the environment, climate change, and to maintain a social licence for the use of biofuels in Aotearoa. Lifecycle emissions as well as broader environmental and social impacts must conform to the highest international standards.

Internationally, debate as to the sustainability of certain feedstocks is continually evolving. We urge the government to engage on and influence global decision making on the sustainability of feedstocks. This is critical to ensure upmost integrity of the standards, and to ensure the sustainability credentials of Aotearoa's unique feedstocks are recognised (as appropriate).<sup>1</sup>

The evolving debate as to which feedstocks are considered sustainable presents a significant risk for SAF producers. Feedstock is the most expensive component of SAF production, and so certainty as to feedstock cost, supply, and acceptability is central to any investment in SAF production. Transparent and clear sustainability criteria will be essential to encourage investment in local SAF production in Aotearoa. This will also be important for assessing and securing the supply of SAF produced in other jurisdictions.

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<sup>1</sup> Air New Zealand notes the risk to feedstock supply in Aotearoa from the Roundtable for Sustainable Biomaterials (RSB), which has proposed putting strict limits on the use of woody biomass from post-harvest residues. Air New Zealand and Scion have been closely engaged on this issue, and welcome further engagement with the Government. Notwithstanding this, Air New Zealand fully supports independent third-party certification of feedstock supply chain sustainability and sees this certification as an important component in underpinning the success of a SAF industry.

**Where to next?**

We welcome further discussion on the content of this document and look forward to working constructively with the Government as it investigates an aviation specific mandate. Should you require any further specific advice on the content of this submission, please contact Jenny Sullivan, Sustainability Manager, at [jenny.sullivan@airnz.co.nz](mailto:jenny.sullivan@airnz.co.nz).



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