

14 December 2018

Levy consultation
EECA

EECA 2019/20 Levy Consultation - Submission from the Bioenergy Association

Response to consultation questions:

1) What kinds of engagement have you or your organisation had with EECA?

The Bioenergy Association has areas of interest relevant to EECA with regard to use of biomass for process heat; use of wood pellets for residential heating; producing energy from liquid and solid municipal and food waste; and low emissions transport biofuels.

The Bioenergy Association has worked closely with EECA since 2000. Since 2016 the Association has had a series of Collaboration Agreements with EECA to work together on bioenergy related projects of mutual interest.

The Collaboration Agreement is based on identification and implementation of agreed tasks within an agreed Annual Work Plan which aligns with the respective business plans of each party.

Representatives of EECA and the Association meet regularly to identify bioenergy market related issues which need to be addressed. The EECA representative often attends Bioenergy Association board meetings.

2) Which of the three levies do you pay?

Bioenergy Association does not pay any levies.

3) EECA's proposed levy-funded work programme in 2019/20 will request funding from the three energy levies set out in question 2. Do you support EECA's levy proposal for \$13.8 million in 2019/20?

No

Because of the need to address climate change as quick as possible and achieve net zero emissions by 2050 the quantum of the levies proposed should be increased. The Bioenergy Association has identified that 93PJ of fossil fuel energy could be replaced by biomass energy by 2050 with a consequential reduction of 8600kt CO₂-e of greenhouse gas emissions. With the level of expenditure shown in the discussion document it is unlikely that this potential could be achieved by 2050. The proposed programme only touches a few initiatives which could be addressed if the net zero emission goal is to be achieved.

The Association does not disagree with the proposed programme – it is just too inadequate to make more than a dent in current greenhouse gas emissions. Doubling of the budget would ensure that there is a good chance of achieving net-zero emissions. It is also appropriate that the funding come from the levies as the levies follow the principle that the polluter should pay.

An example of how inadequate the funding level is arises with the low emission vehicle programme which is completely misleading as the level of funding is only adequate to cover

electric vehicles and excludes biofuels and other low emission urban transport opportunities such as from biomethane. EECA and the government are misleading the community when calling it a low emissions vehicle programme – it is not. It is an EV programme.

Similarly the opportunities for producing biogas for use either as a vehicle fuel or for process heat has a nexus to the gas levy but is not included.

Because there has been no analysis of the full range of opportunities to obtain net zero emissions in the energy sector the current funding proposal can only be considered as a feeble attempt to undertake some obvious initiatives within a guessed at funding quantum. It is obvious that the current funding level is inadequate and a priority should be to develop a proper plan of action through to 2050 covering all opportunities. It is anticipated that the Climate Change Commission will do that but in the meantime EECA, MfE and MBIE should prepare a stop-gap cross sector plan of Action so that priorities can be shown to all interested parties.

4) Do you support the proportions EECA has requested across the three energy levies?

No

Because there are more gaps in the programme than should be the case if net-zero emissions are to be achieved by 2050 then a greater proportion of the funding should come from the gas and petroleum levies where many of the gaps are most closely aligned.

It is also noticeable that there is no levy on the coal sector yet this is the biggest target area for much of the work that needs to be done. Work should be done to bring the coal sector into the levy payment regime.

5) Which of EECA's 2019/20 levy-funded activities are of most interest to you:

Low Emissions Vehicle Contestable Fund

As stated above this programme should be widened from just being an EV programme to fully include all low emission vehicle types as many of these use proven technology and the fuels are available

Large Energy User Programme

The focus on large energy users is fully supported as has been recently shown with the EECA financial support to Fonterra for cofiring the Brightwater milk processing plant. However, focusing on large users is different from focusing only on large plant. There needs to be an agreed approach between business and government on the priorities for action should be and what that action should be.

Technology Demonstration Programme

Technology demonstration is extremely important but we already have a lot of demonstration plant. What we don't have is the extraction of learnings from the demonstration plant already operational.

Of additional significant interest is the other programmes such as the Industry Development Programme. Assisting large energy users and the sector's products and services providers to progress the opportunities is critical if Government is not going to be left "holding the baby". The gaps in this consultation say volumes about the limited degree that Government is wanting to partner with business and in particular the investors. EECA needs to be careful that it is not inadvertently left to do all the heavy lifting alone.

6) Do you support the mix of levy-funded activities listed above?

No

For the reasons already provided.

7) Are there any new activities or specific sectors that you think EECA should invest more or less levy funding in for 2019/20, and in the future?

The proposed EECA programme underestimates the climate change reduction opportunities available from bioenergy and biofuels. The Bioenergy Association has investigated the opportunities and would be pleased to discuss these with EECA. (drafts have already been made available).

Some areas are:

- As a controlled heat source wood pellet heating is a significant greenhouse gas emission reduction tool while meeting home owner heating aspirations.
- Waste is an suitable feedstock for the production of heavy transport fuels
- Processing food waste to produce energy through use of anaerobic digestion plant is proven but currently ignored by government agencies
- Processing solid and liquid municipal waste to produce useable energy products
- Using biomethane produced from waste as a vehicle fuel.

8) Do you agree that EECA's levy-funded activities result in benefits for New Zealand businesses and consumers in:

- Reducing greenhouse gas emissions
- Reducing engine fuel consumption (e.g. petrol and diesel)
- Improving energy productivity
- Improving electricity efficiency
- Improving gas efficiency
- Encouraging, promoting, and supporting energy efficiency, energy conservation, and the use of renewable sources of energy?

The current programmes will produce a range of benefits to the communities but some such as the heavy promotion of EV will increase wholesale prices as they tend to increase demand for electricity thus putting it under pressure for investment. Additional generation will be at a higher marginal price thus increasing prices as they are set by the marginal price at any time.

The Bioenergy Association is concerned that there is still a silo approach to energy with little recognition of the cross sector opportunities and issues. An example is the 1 billion trees programme which if done well could provide a stimulus to the wood processing sector and subsequently make greater volumes of biomass fuel available for the say process heat programme.

It is not what is in the proposed programme but that it does not appear to have a strategic fit with other aspects of the economy and Government programmes.

9) Would you like to provide any other comments on EECA's 2019/20 levy proposal and activities?

1. The Government has identified process heat and transport as key areas for action. The work by Vivid and the Productivity Commission have also identified the more difficult areas

for action being high temperature and heavy transport. These are areas where 93PJ of fossil fuel energy could be replaced by biomass energy by 2050 with a consequential reduction of 8600kt CO₂-e. The business sector is able to drive a lot of that achievement but is in its infancy and does not have a lot of large commercial players. As a consequence unless greater assistance is provided by Government to progress opportunities then little achievement will be made.

2. As identified by the Productivity Commission In the bioenergy sector many of the benefits of transition from use of fossil fuels to biomass based fuels are public goods and outside the scope of many business to pursue. As a consequence of the benefits including climate change being public goods it will be important that government, on behalf of communities, provide adequate funding.
3. The sector has organised itself around the Bioenergy Association but because of the few commercial players in the sector there are inadequate funds to employ full time staff and thus the association is unable to do more than just the minimum. The association has 2300 members, associates and followers but many are small businesses or investors seeking advice and support. If Government is serious about encouraging the sector to make the necessary investment decisions adequate assistance will need to be made to assist the association to employ permanent staff.
4. The Bioenergy Association has completed an analysis of the opportunities for biomass related activities and identified a Plan of Action. This is a business driven analysis so it would be good to engage with government's own strategic thinking rather than having different parts of the sector like ships passing in the night, and not acknowledging the other.
5. There is little in the gas levy programme about the renewable heat market and the use of green gas yet this should be one of the priority areas for EECA attention. Gas is often used as a fuel for heating when renewable energy could alternatively be used. The programme should be assisting efficient use of gas so that it is not used where a renewable fuel could be used. Substitution of gas with wood energy or biogas would allow natural gas to be used for the applications where it is more valuable for it to be used.
6. The Bioenergy Association is pleased with what EECA staff do achieve. Our concerns related to what they are not able to do because of the limited funds being made available from the energy levies, and the lack of contribution from the coal sector.

Regards



Brian Cox
Bioenergy Association