



Submission to the Ministry of Transport on:

Hikina te Kohupara – Pathways to Net Zero by 2050

25 June 2021

Contents

Contents	1
Executive summary	2
1. Introduction.....	3
1.2 Principles that guide our engagement.....	3
2. Response to specific questions.....	5
2.1 Consultation question for 1: principles.....	5
2.2 Consultation question 2: role of government	5
2.3 Consultation question 3: supporting transport innovation for emissions reductions	6
2.4 Consultation questions 4 and 5: integrating transport, land use and urban development; encouraging mode shift.....	6
2.5 Consultation question 6: role of pricing	7
2.6 Consultation question 7: actions to accelerate the transition of the vehicle fleet	8
2.7 Consultation question 9: domestic aviation emissions.....	11
2.8 Consultation questions 10 & 11: freight supply chain, freight modes and fuels	12
2.9 Consultation question 12: ensuring a just transition.....	14
2.10 Consultation question 13: which pathway?.....	14
2.11 Consultation question 14: policies for the first emissions budget period.....	14
About Sustainable Business Council.....	16
About Climate Leaders Coalition.....	16

Executive summary

This submission by the Sustainable Business Council (SBC) and Climate Leaders Coalition (CLC) represents the combined view of our 150 member companies on *Hikina te Kohupara – Pathways to Net Zero by 2050*.

SBC and CLC members are already taking action to transition to a zero carbon future. That includes implementing transition plans and working together to develop pathways that quantify the trade-offs and interdependencies that will be required for sectors and systems to decarbonise.

Reducing transport emissions is crucial to meeting our climate targets. Transport currently represents a third of our total long-lived gas emissions. As the Climate Change Commission's final advice shows, action in this sector will have an immediate and lasting impact. Aotearoa can cut almost all transport emissions by 2050. The technology already exists and is improving fast.

In Aotearoa we need to change the way we build and plan our towns and cities and the way people and products move around. This includes making active travel easier with good cycleways and footpaths. It means moving freight off the road and onto rail and shipping. It means reliable and affordable public and shared transport systems. It means a low-emissions transport fleet.

Our members are already leading the way, including by engaging through the SBC Freight Group to develop the [Low Carbon Freight Pathway](#). Some of our members are involved in the development of the biofuels strategy and Sustainable Aviation Aotearoa which is mapping out a pathway for sustainable aviation fuel in our country.

We support many of the proposals in *Hikina te Kohupara*. This submission provides suggestions for where the proposals could be improved or strengthened. It draws on our submission on the Climate Change Commission's draft advice, as well as the Climate Change Commission's final advice.

Our key recommendations are:

- a. We ask that the private sector's vital role in decarbonising Aotearoa's transport sector be better reflected in the Emissions Reduction Plan (ERP) and related policy.
- b. We urge that a systems-level approach be taken to create a cohesive and coherent transition plan. This plan should create a clear signal that drives a fair, equitable and inclusive transition for all New Zealanders. We see specific need for the energy and infrastructure strategies to be embedded within the transport response.
- c. We recommend that a Low Emissions Vehicle Leadership Group be stood up as a matter of urgency and have broad business and cross-party involvement. The Group should be tasked with addressing practical barriers to low emissions vehicle uptake, such as supply, charging infrastructure, and incentives.
- d. We ask that the role of biofuels in decarbonising the transport sector be better reflected in the policy measures proposed, including fuel for shipping and sustainable aviation fuel (SAF).
- e. We encourage the freight part of the ERP's transport chapter and National Supply Chain Strategy reflect the work of the Low Carbon Freight Pathway, including the role of biodiesel, hydrogen, and BEVs in the freight sector transition.

1. Introduction

We welcome the opportunity to comment on *Hikina te Kohupara – Pathways to Net Zero by 2050 (Hikina)*, a system-wide review of options and opportunities to reduce emissions in the transport sector. We understand that feedback received on *Hikina* will be used to inform Government decisions on actions and policies to be included in the transport chapter in the first all-of-government ERP to be published by the end of 2021.

This report draws on our *Briefing to Incoming Government on Climate Action Priorities* from October 2020 (2020 report) and underscores key recommendations contained in our submission to the Climate Change Commission on their draft advice, March 2021 (CCC submission). We recognise the work of consulting firms Sapere and DETA that supported the development of our CCC submission. This submission focuses on the consultation questions in *Hikina* that are relevant to our members' interests as outlined in the CCC submission.

We look forward to engaging further with the Ministry of Transport (MoT) through the development of the ERP and associated policy, including the National Supply Chain Strategy.

1.2 Principles that guide our engagement

As with our CCC submission, we have formulated this input based on the overarching pursuit of an Aotearoa with:

- i. A society that is fair, inclusive, and diverse.
- ii. An economy that is:
 - open, recognising Aotearoa's role as a trading nation.
 - globally connected, virtually and physically.
 - supported by market regulation that is incentive focused, intervention cautious.
- iii. A climate change response comprising:
 - science-based mitigation with effective measuring and reporting of emissions.
 - adaptation efforts that are technology-based, risk- and future-focused.
 - a just transition that is fair, equitable, and inclusive for all New Zealanders.

We have also considered the following specific principles in preparing this submission:

- We support the emissions reduction targets and purpose of the Climate Change Response Act (the Act) to contribute to the global efforts under the Paris Agreement to limit warming to 1.5 degrees above pre-industrial levels.
- We understand and support the focus on gross emissions reductions. We also agree that forestry offsets should not be the only mechanism relied on and that offshore mitigation should not be used to meet New Zealand's first three domestic emissions budgets other than in circumstances prescribed in the Act.
- We want to work in partnership with Government to achieve the emissions budgets and by helping to shape and deliver the Plan.

- We think the ETS should be allowed to do its job and other interventions should only follow where there is a clearly articulated positive net benefit for other non-price policies.
- Non-price policies should focus on outcomes and promote efficiency rather than being specific regulation that disincentivises innovation.
- All parts of society will benefit from education and awareness raising on the imperative and the case for changing behaviours beyond ETS signals and justified non-price policies.

2. Response to specific questions

2.1 Consultation question 1: principles

SBC and CLC broadly support the principles in *Hikina*, subject to the following specific comments:

- a. **Systems-level approach:** We agree that coordinated action is required to get to net zero by 2050 and ensure that the transition is equitable. We strongly encourage a systems-level approach to achieve the desired transition across Government and all sectors of Aotearoa business and society. This means coordination and ideally co-design not just across the transport sector, but all the supporting industries that MoT identifies, such as, infrastructure, power, technology, and innovation.
- b. **We need to get started now:** We support Principle 6 and agree that we cannot wait for the perfect plan - we have to get started now. Many of our members are already demonstrating the art of the possible, such as the SBC Freight Group, where members are engaging in collaborative pilot decarbonisation projects to test ideas and technology.
- c. **Market-led approach:** A strategic approach to decarbonising the transport sector is important, but we caution the Government about 'picking winners'. The role of Government is to set the regulatory environment that enables the private sector to innovate and forge a market-led path to a net zero economy by 2050.
- d. **Close collaboration between Government and the private sector:** We recognise the role MoT describes for the private sector in the transport transition. It is clear from the consultation document that there is much detail still to be worked through, and that the operational policy to effect many of the required changes will sit elsewhere, such as in the National Supply Chain Strategy. We see a role for business and Government to work in partnership to accelerate thinking in these areas which was highlighted as a priority in the Climate Change Commission's final advice to Government. SBC and CLC members would welcome the chance to be part of this collaborative effort. One particular example is the recently announced Sector Leadership Group on electric vehicles (EVs) – discussed further below.

2.2 Consultation question 2: role of government

We are pleased that *Hikina* acknowledges the role that the private sector will play in helping New Zealand decarbonise its transport sector.

We do not see the decarbonisation of Aotearoa's transport sector as solely the role of government. Rather, our shared goal of a net zero economy by 2050 should be guided by a partnership between government and all of society's actors who will need to commit capital, take risks, and change behaviours in order to achieve them.

The investment choices that businesses make will determine the success of Aotearoa's transition. Businesses, including members of SBC and CLC, are already playing an important role in getting the

transition underway, for example by working to drive down emissions with the companies we work with in our supply chains. Many of the solutions the Climate Change Commission alludes to will be provided by and tested by business, so we would like to see emphasis on the need for Government policy to provide businesses with the flexibility needed to shape their own transition.

Hikina describes the private sector as one of a number of players in this transition and ascribes it a relatively narrow role. We **ask** that the vital role that business will play in this transition better reflected, as it was in the Climate Change Commission's final advice to Government.

We do see a role for Government in using regulatory lever(s) to provide appropriate nudges and catalyse behaviour change where a non-price measure is demonstrably required to accelerate emissions reductions.

2.3 Consultation question 3: supporting transport innovation for emissions reductions

Changing the nature of vehicle ownership and how people travel in urban areas will require a strategic rethink of mobility options. Transportation and mobility are on the cusp of a paradigm shift that will be brought by technological innovation and social change that will see more New Zealanders using transport as a service and other more flexible options. For this reason, we **ask** that there be more research into the drivers of mobility choices within the Aotearoa context, including on a regional basis, and support for the sector to find innovative solutions to overcoming decarbonisation barriers.

To ensure Aotearoa can capitalise on the full potential of emerging technologies, it will be critical for Government and industry to work together to ensure that we are building skills and innovation capabilities within Aotearoa, and that the rollout of supporting infrastructure to enable innovation can continue at pace.

Particular candidates for targeted Government support to incentivise innovation and investment are set out in other parts of this submission, but in summary include:

- Domestic biofuel production, including sustainable aviation and shipping fuels.
- Investigation of the role of hydrogen in decarbonising heavy transport in particular.

2.4 Consultation questions 4 and 5: integrating transport, land use and urban development; encouraging mode shift

We **support** the development of an Integrated National Transport Network to reduce travel by private vehicles and to increase walking, cycling, low-emissions public and shared transport, as was recommended by the Climate Change Commission. We **ask** that the final transport chapter of the ERP be framed in terms of this Integrated National Transport Network and articulate a clear, systems-level approach to a strategy for our future mobility.

Changing the nature of vehicle ownership and how people travel in urban areas will require a strategic rethink of mobility options. The changes required to decarbonise our transport sector touch on deep and long-held habits and expectations as to how we (and the goods we consume) get from place to place in Aotearoa. Decisions will be varied in their size and scale but include considerations such as the kinds of vehicles we buy, how our cities and towns are planned, and how long we are prepared to wait for package deliveries.

As part of this, we **strongly encourage** that greater consideration is given to how rural communities are included in this work programme. While the recommendations within the discussion document focus heavily on urban development, alternative modes of transport like cycling or public transport are not viable options for many rural communities. This needs to be given careful consideration to ensure an equitable transition and that the impacts of the transition are not unduly borne by those living rurally.

Careful planning needs to accompany scaled up investment to old habits and building confidence in new means of travel. MoT appears to have undertaken some research of the drivers of mobility choices within Aotearoa, but as noted above, we think **there needs to be more** research into the drivers of mobility choices within the Aotearoa context to enable enduring change. This should include, for example, an understanding of the drivers and tipping points to use e-micro mobility (e-bikes and scooters) on movement corridors.

Hikina does address many proposals that could achieve a low-emissions Integrated National Transport Network, like active travel, accessible urban design, and efficient public transport. However, we **ask** that the individual policies floated in *Hikina* be considered in a more holistic way to ensure that linkages are identified and cross-system barriers, large and small can be tackled.

For example, on the small barrier side, e-bikes have many advantages over battery electric vehicles (BEVs), such as less wear on roads, improving activity rates (reducing obesity), and have far fewer embodied emissions. They can also help address the last-mile issue. Despite these advantages, they are not allowed to be taken on public transport. Such barriers need to be removed if behaviour is to change. The ERP's transport chapter should address these smaller, but important, issues too.

We agree that infrastructure and energy are sectors that are crucial to the transport transition. We **strongly encourage** that a systems-level approach is taken to ensure that the transport policy response be developed in tandem with aspects of the ERP and other policies that cover these sectors, to create a cohesive and coherent plan that creates a clear signal for all New Zealanders.

We **see specific need** for the energy strategy and the Infrastructure Commission's *Infrastructure Strategy*, in particular, to be embedded within and speak to the transport response. The transport chapter of the ERP should also be developed in close coordination with the *Equitable Transitions Strategy* that the Climate Change Commission's final advice recommends. Framing in terms of a holistic strategy or network will enable emissions reduction measures that cut across the transport sector to be better addressed, such as promoting increased vehicle occupancy and system productivity.

Successful transport transition planning will also require Government to explore a range of regulatory levers. Options could be considered through the reform of the Resource Management Act to integrate climate considerations into how we plan for and build towns, cities, and infrastructure. For example,

any new significant transport infrastructure could be required to establish consistency with the emission budgets before consent is granted.

2.5 Consultation question 6: role of pricing

We generally **support** improving the pricing system for transport, so that costs associated with vehicle use are internalised (e.g., congestion / parking charge). By providing a more direct pricing signal of the real costs of mobility choices, such a system would create stronger incentives to support low-carbon user choices. A congestion charge, for example, would encourage desired behaviours, fewer cars on the road, more people per car, reduce transport-related emissions and bring the cost of EVs down. It would also provide a mechanism for allowing investment into public transport infrastructure, innovation into cleaner fuels, and improvements to existing assets. It is therefore pleasing to see that MoT is considering congestion pricing and distance pricing and would like to work with the Government as options are further explored.

One issue that needs to be recognised is that, as fossil-fuelled vehicles start exiting the fleet, new sources of funding for capital investments in road infrastructure will need to be secured given the current dependence on payments from fossil-fuelled vehicle use (e.g., Road User Charge (RUC), fuel excise tax). We recognise the challenges *Hīkina* sets out to implementation of a nation-wide road pricing scheme. However, in order to ensure sufficient public funds are available to support capital investments in transport infrastructure, including the low-carbon transition, we support acceleration of a nation-wide road pricing system to future-proof the Government's road infrastructure funding source. Specifically, we **suggest** that this be integrated into the current MoT project *Future of the Revenue System*, and that the feasibility of smart road pricing be specifically considered. This should include consideration of the distributional impacts of road pricing options.

2.6 Consultation question 7: actions to accelerate the transition of the vehicle fleet

Low-emissions vehicles, including electric vehicles (EVs – which for simplicity we use in this submission to refer to both battery electric and hybrid vehicles), will be an important part of the broad range of solutions that will be required in decarbonising Aotearoa's transport sector. SBC and CLC members are keen to work in partnership with government to develop collaborative pathways that have broad sectoral and, ideally, political support. We were pleased to see the recent announcement of the establishment of a Low Emissions Vehicle Leadership Group and look forward to being part of this work. We **recommend** that this Group should comprise a diversity of views and voices from the sector and different political parties. This Group **must** be established and commence work as a matter of urgency.

We **support** an ambitious roadmap to accelerate the transformation of the transport asset make-up. We, therefore, **support**, in principle, the restriction of Internal Combustion Engine (ICE) light vehicles entering, being manufactured, or assembled in Aotearoa. Any such restriction would need to be designed carefully to ensure it reflects the availability, affordability and safety of alternatives to ICE vehicles. The Low Emissions Vehicle Leadership Group could develop recommendations as to how

such a policy could be structured, taking into account the range of factors that will contribute to EV uptake in Aotearoa (including supply, charging infrastructure, and incentives).

Transitioning the light vehicle fleet is a major task. Many countries are further along this pathway than Aotearoa. We **support** the undertaking of a survey of policies to support EV uptake in comparable economies, to enable Aotearoa to learn from the experience of others.

EV supply

As *Hikina* identifies, there is a real risk to achieving the required EV supply given Aotearoa's limited bargaining power for the latest EV technology. We **recommend** the Low Emissions Vehicle Leadership Group be tasked with investigating options to minimise this risk. One solution could be bulk procurement of BEVs to reduce supply risks, e.g., through corporate buyer's club or other mechanisms, such as, strategic partnerships with other countries for EV supply. SBC and CLC members would welcome the opportunity to be part of this effort.

We also **support** the final advice of the Climate Change Commission in recognising the value of solutions, such as, hybrid vehicles and blended biofuels in reducing emissions until zero carbon options become more affordable.

Charging infrastructure

Hikina notes that "commenced work to develop a strategy to support the ongoing implementation of infrastructure, which should also include charging infrastructure for other modes such as for ships at ports." We **support** the acceleration of this work as a matter of priority:

- The infrastructure needs keep pace with the significant switch from ICE to EV. There is urgency to such a plan given the decisions that are already being made with respect to urban planning. The Electric Vehicle Infrastructure scoping project should be accelerated with a view to commencing implementation by mid-2022 at the latest.
- As part of that, we support the introduction of a co-investment subsidy for EV charging infrastructure to incentivise investment of fossil fuel industry capex into electric and divert it from inappropriate investment in potentially stranded fossil fuel assets. We support in particular work to consider how to promote establishment of necessary infrastructure in rural areas.
- We expect smart EV charging to play a critical role in electrifying transport affordably in the future, not just for EV owners but for all users of the electricity system. We recommend that the Electric Vehicle Infrastructure scoping project consider the value of smart EV charging and smart EV integration within the wider electricity system.

Charging infrastructure is one particular area that would benefit from a systems-level approach. Preparing Aotearoa's homes and streets with the necessary charging infrastructure will be a major undertaking, with some practical but important considerations. The electricity sector (and wider energy sector) therefore needs to be involved in designing and following through on the transport sector's transition. We are entering into a period where, for the first time at a large and widespread scale, the electricity and transport industries are converging to deliver transport outcomes for New Zealanders, which will require coordination at both a strategic level and at an operational level. The

Electric Vehicle Infrastructure scoping project should also consider the role and applicability of vehicle to grid technology and how utility companies can utilise this technology in partnership with smart EV charging systems to deliver the energy and power required to charge an EV fleet across the network.

Role of business in accelerating fleet transformation

Corporate fleets will play a major role in the move to electrifying light vehicles. We **recommend** that MoT deepens its consideration of the possible short-term impacts on businesses as they transform their fleet to lower-carbon assets. Removing current barriers will help smooth the pathway to electrification of corporate fleets. *Hīkina* recommends investigation of tax incentives. This is an important step: reducing, removing, or changing the methodology for calculating the fringe benefit tax for the corporate BEV fleet and employee EV charging with accelerate uptake.

There are other impacts on businesses as well. For example, current Worksafe guidelines requiring employer owned EVs to be charged in a garage. This is a major barrier for some of our members in terms of which employees can be eligible for an EV. We **ask** that this be changed or modified to make it more practical and incentivise employer EV uptake.

Complementary measures

In addition to the recently announced incentive schemes to reduce the upfront cost of low-emissions vehicles, we **recommend** that MoT considers complementary measures aimed at getting older vehicles off the road. This should include exploration of the following potential measures:

- The further scrappage of older vehicles, including more stringent requirements for warrants of fitness and higher costs for annual licensing for such vehicles. However, we also recognise that there are significant social issues to address in exiting older vehicles from the fleet, and that the cost of scrappage and of upgrading to a newer vehicle will be prohibitive for many low-income households. We **recommend** that MoT consider whether cash incentives could be provided for scrappage, or for low-income households to trade older vehicles and purchase more fuel-efficient cars.
- We **recommend** MoT consider in more detail infrastructure required for recycling EV batteries at the end of their life within Aotearoa, with a view to a scheme being in place within the next two years.

Low-carbon fuels

We **support** the development of a biofuel strategy. We welcome the recent announcement of the extension of the biofuel mandate to all transport modes.

We were pleased to see the Climate Change Commission in its final advice support the development of a bioeconomy strategy for Aotearoa. The bioeconomy and biofuels strategies **must** be integrated, recognising other uses of biomass feedstock in the economy, and the trade-offs amongst supply-chain investment decisions that will need to be made. The issue of biofuel supply is particularly relevant for aviation, where alternative options to decarbonise are not available (see aviation below).

In addition, we **recommend** a moratorium or some other limitation on any new fossil fuel stations to be constructed if this would significantly reduce emissions. There is a real risk of stranded assets in a

relatively short timeframe, and this will assist in no small part, to educating the general population on the realities of our climate transition.

2.7 Consultation question 9: domestic aviation emissions

Decarbonising aviation is critical to the future prosperity of primary produce exports, the tourism sector, and maintaining important social connections. As acknowledged in the report, aviation plays an important role in connecting people, and delivering Aotearoa's high-value and perishable export products to the world, for which alternative transport modes are not often feasible.

Overall, we **support** the report's recommended actions to decarbonise aviation, including through SAF, next generation aircraft, and improved efficiencies. This includes the policy actions proposed for the first budget period.

Current technological challenges should not stop us from planning and working towards a future with electric short haul aviation in the coming decades. Electric aircraft will require major changes to airport infrastructure and operations, manufacturing, supply chains, maintenance infrastructure and operations, airline capital plans and operations, and training. To realise the future economic and environmental returns of zero-emission electric aircraft, now is the time to start planning.

SAF is also critical to aviation decarbonisation. For long haul, it is the only current option. Some of our members, including Air New Zealand and Z Energy, are committed to working with the Government and others in the private sector to make SAF a reality in Aotearoa over the next few years.

As noted above, we **support** the introduction of a biofuels mandate applying to SAF. However, the current proposal for a Sustainable Biofuels Mandate for Aotearoa would not facilitate SAF supply in Aotearoa. A SAF-specific mandate applying to all fuels (including exported) is required. We will engage further on this issue through the Government's consultation process on this policy.

We **welcome** consideration of subsidies to support domestic production to support domestic SAF supply, and to close the commercial gap between fossil-derived fossil fuel and SAF. However a biofuel mandate and subsidies to support domestic production are two of many possible policies that could be used to establish viable SAF industries and close the gap between SAF and fossil fuels. We welcome further discussion on what the best mix of policies is for making SAF a reality in Aotearoa.

In addition to the actions proposed for the first budget, we **suggest** the following additional actions to facilitate aviation decarbonisation:

- Establish a public-private, cross-agency advisory body focused on aviation decarbonisation.
- Identify and prepare for the infrastructure and energy requirements of next generation aircrafts. To operate these planes in the third budget period as we plan, research and investment in this infrastructure needs to start now.
- Implement the Climate Change Commission's recommendation to undertake a detailed study on the use of SAF in Aotearoa. This should include a detailed feasibility study to help confirm high level production cost estimates, confirm feedstock supply, determine necessary policy and investment settings, and quantify the greater benefits to the regions of standing up a SAF industry.

- Review the objectives of the air traffic management system to, after safety, optimise for carbon reduction.
- Assess regulatory settings related to aviation, including airports and energy systems, to ascertain whether the system is fit for purpose for the adoption of aviation decarbonisation technologies.

We **support** exploring scope for operational improvements at airports. Our members are already playing a leadership role here: Christchurch Airport allows planes to connect to electricity mains when grounded rather than burn fuel in onboard generators, saving emissions. This type of innovative thinking when rolled out across airports in Aotearoa could have a material impact on aviation emissions.

2.8 Consultation questions 10 & 11: freight supply chain, freight modes and fuels

SBC and CLC **support** the development of a National Supply Chain Strategy that addresses the need and plans for long-term infrastructure investments to support the decarbonisation of heavy freight. A concerted, coordinated approach at the central government level is required rather than a piecemeal local or regional plan. We see that much of the detail of freight sector decarbonisation will be contained in that Strategy. We look forward to collaborating with Government on its development and make some initial comments on the freight aspects of *Hikina* below.

Hikina recognises the complexity and market-led nature of the freight system and therefore the decarbonisation task. Recognising this, SBC's Freight Group, a group of nine companies representing the freight industry, carried out a study on the possibilities for this sector in 2020. SBC's Freight Group found:

- By 2030, 28 per cent of net emissions reductions can be achieved through options that are readily available. These include improved vehicle efficiencies, telematics, BEV, freight flow optimisation, and mode shift.
- These opportunities can be harnessed through improved collaboration across the HV supply chains, a better understanding of customer demand drivers, and government support to bring some of the required changes forward (e.g., BEV infrastructure, coastal shipping and rail infrastructure).
- The remainder of emissions will require an increasing uptake of biofuels or hydrogen, especially from 2030. Now is the time to act to remove barriers for those technologies so the scale of transformation is feasible. These barriers include high capital cost for hydrogen vehicles, and failures in the biofuels market.

Many of the potential emissions reduction measures *Hikina* sets out for freight align with the Low Carbon Freight Pathway, including:

- Optimising freight routes, logistic nodes, equipment and vehicles: SBC Freight Group is already planning on doing this through exploring collaborations aimed at optimising freight routes.

- Examine opportunities for the collection and better use of data to improve efficiencies in the freight system. Subject to competition law considerations, SBC Freight Group could play a role the effective data gathering and use of data to improve efficiencies in the freight system. We would welcome the chance to discuss further with MoT in the context of the National Supply Chain Strategy.
- Consider encouraging/supporting voluntary business collaborations to reduce emissions in logistics – the Freight Group is already doing this and seeking to promote more cross-industry collaboration through expanding the Pathway membership.

Hikina considers the role of consumer demand in shaping freight patterns but does not propose an action arising out of it. One of the Freight Group's implementation channels is exploring consumer behaviour that promote modal shift. We look forward to engaging on this in more detail through the National Supply Chain Strategy.

Hikina does not specifically mention the roles of biodiesel, hydrogen, and BEVs in the freight sector transition. As noted above, the Low Carbon Freight Pathway showed that alternative fuels and electrification need to, and can feasibly, play a major role in freight sector decarbonisation. In particular, we **ask** for greater recognition of the potential of hydrogen as a low-carbon fuel. The Low Carbon Freight Pathway showed that hydrogen is a viable fuel alternative to biofuels and EVs. This needs to be factored in to policy to future proof the necessary infrastructure. We would like to see this reflected in future policy direction, including the National Supply Chain Strategy.

There is also an opportunity for the domestic refurbishment of high-emitting trucks. New trucks enter Aotearoa as a cab and chassis and have their freight bodies fitted locally. This has created a local expertise in truck assembly that could be used to convert diesel trucks. This would also help address low-carbon vehicle supply challenges. We are aware of the barriers to such refurbishment on a larger scale, particularly the reluctance of truck manufacturers to provide warranties, and therefore support the focus to be on newer existing diesel trucks that do not have deteriorated running gear.

We **support** a review of restrictions/requirements (e.g., length restrictions) on the type of heavy vehicles that can be bought into Aotearoa. These restrictions are a barrier to low-carbon heavy vehicle uptake. A change to allow longer vehicles could incentivise low-emissions heavy-freight vehicles into Aotearoa faster.

We **support** the establishment of an investment strategy and clear targets to increase the share of rail and coastal shipping. For rail, this should be done as part of the *New Zealand Rail Plan* that is being drafted. The work by SBC's Freight Group found that mode shift is a key pillar for optimising the freight system, however, additional investments are required to integrate road, rail, and coastal shipping into a cohesive transport system. *Hikina* contains a detailed and extensive plan for mode shift into rail and shipping, with accompanying investment. MoT estimates that between 15-35 per cent of the road freight task is potentially transferrable to rail and coastal shipping. The Pathway report models 14 per cent, which is likely at the very top end of what the Freight Group's report considered realistic. We would **welcome** the chance to discuss this in the context of the National Supply Chain Strategy to ensure the freight pathway is feasible.

We also recognise that other users of fuels within the marine space do not fit the natural definition of coastal shipping, such as the fishing and cruise liner industries. We **recommend** that MoT ensure their

definitions are clear with respect to targets/mandates and requirements for different sub-sectors of the maritime sector.

We **recommend** that MoT support the Climate Change Commission's recommendation of the introduction of a target/mandate for renewable fuels for ships with policy level guidance, and recommendations to support the domestic production, distribution, and supply for those alternative fuels.

Finally, we would **welcome** closer examination of the role of shipping, including international shipping, in reducing Aotearoa's transport emissions, as part of the ERP.

2.9 Consultation question 12: ensuring a just transition

We are pleased to see *Hikina* acknowledge the distributional impacts of EV policies and indicate that it will take a system approach to consider the social impacts of particular policies. We **encourage** more focus and investigation on how to ensure a just transition in the low-carbon transport transition. We acknowledge that some measures, if not correctly designed, can disproportionately impact low-middle income families.

We **encourage** an approach to the transition that is well-signalled, to allow proactive planning. It should be based on co-design with business, employees, iwi-Māori and communities to enable an enduring response. It should also be based on sound modelling and open dialogue about who will bear the cost of change so that the distributional impacts of the transition can be managed effectively.

We **support** work to ensure effective policy design and management of distributional impacts to understand and minimise these impacts. We **encourage** particular consideration to be given to rural communities and small and medium businesses to whom low carbon transport options may be less accessible.

2.10 Consultation question 13: which pathway?

SBC and CLC appreciate MoT setting out a series of pathways in *Hikina*, as well as inputs to the underlying modelling. At this stage, the model does not include many modes and assumptions that our members see as key to decarbonising the transport sector. This includes the omission of freight rail, aviation, ships, and boats from the modes considered, as well as sustainable aviation and shipping fuels and hydrogen. It also leaves out some of the key recommendations of the Climate Change Commission in its final advice, such as supporting flexible working policies as a transport emissions reduction measure, and key policies to support uptake of low-emissions vehicles, such as tax incentives, restrictions on ICE imports and scrappage schemes. This makes it difficult for us to provide meaningful comments on the pathways at this stage.

We **urge** MoT as an immediate priority to build these into the model and re-run it, including to reflect the Climate Change Commission's 'demonstration path' in its final advice. We look forward to engaging with the pathways when the modelling is at a more advanced stage.

We also note that, as currently modelled, Pathways one to three focus on slower adoption to low carbon transport and do not meet the Climate Change Commission's recommended emissions budgets over the next 15 years. Adherence to the emissions budgets should be a minimum requirement for any transport decarbonisation pathway.

2.11 Consultation question 14: policies for the first emissions budget period

SBC and CLC comments on specific policy recommendations are embedded in the sections above, indicated in **bold**.

About Sustainable Business Council

The Sustainable Business Council (SBC) is a CEO-led membership organisation with over 100 businesses from all sectors, ambitious for a sustainable Aotearoa. Members represent more than \$87 billion of collective turnover, 28 per cent of GDP, and nearly 160,000 full-time jobs. Our network gives members the ability to take large-scale collective action. SBC is part of the BusinessNZ network and is the New Zealand Global Network partner to the World Business Council for Sustainable Development. www.sbc.org.nz/about/our-members/sbc-members

About Climate Leaders Coalition

The Climate Leaders Coalition (CLC) was launched in July 2018 with 60 original signatories to promote business leadership and collective action on climate change. With now over 100 signatories, they account for almost 60 per cent of New Zealand's gross emissions, around \$86 billion of collective turnover, and employ almost 200,000 people. Signatory commitments include measuring and publicly reporting their greenhouse gas emissions, setting a public emissions reduction target, and working with suppliers to reduce their emissions. www.climateleaderscoalition.org.nz/who

Contact information

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Sustainable Business Council

wbcscd Global Network Partner

CLIMATE LEADERS COALITION

ON A MISSION TO REDUCE EMISSIONS IN NEW ZEALAND

