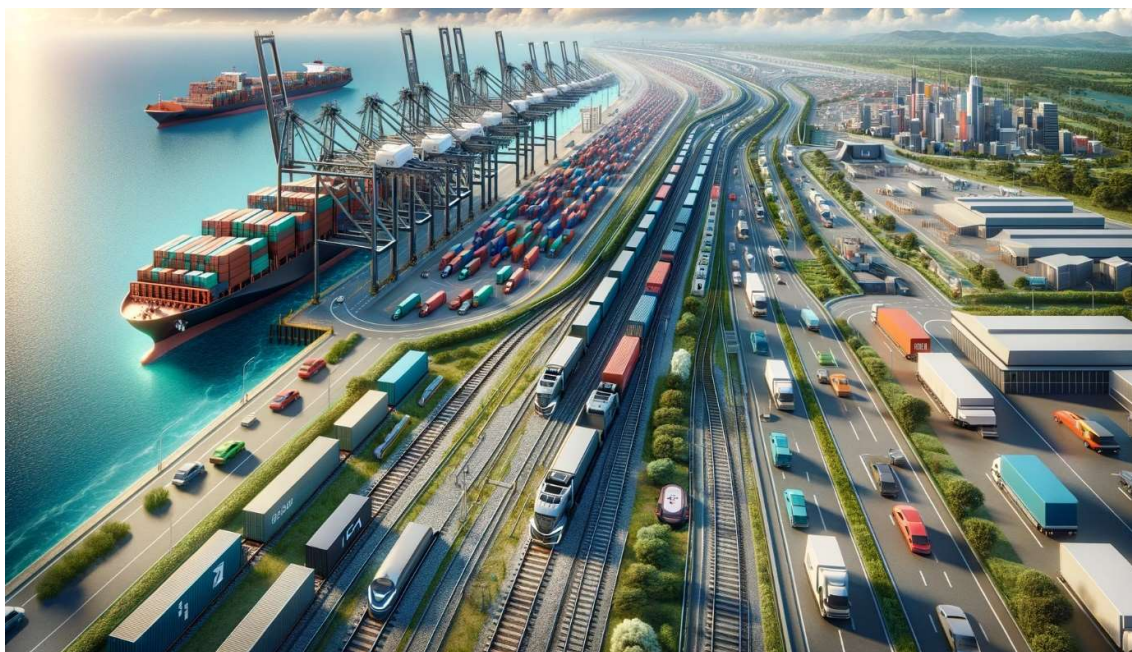




National Road Carriers Association (NRC) submission on

New Zealand's second emissions reduction plan



About National Road Carriers Association

National Road Carriers Association (NRC) is New Zealand's progressive nationwide organisation representing 1500 supply chain company members, who collectively operate over 16,000 trucks throughout New Zealand. NRC advocates on behalf of members and works with central and local government on road transport infrastructure and regulations.

NRC members are committed to providing an efficient, productive, resilient, safe and value for money service that supports the wider economy. To achieve this, trucking operators need a safe, efficient, and sustainable operating environment that enables the efficient and safe movement of goods. Our members primarily operate road freight but a number also operate air, sea and rail freight services.

Some 54% of NRC's membership comprises single vehicle operators and 89% employ 10 or fewer.

General comments

NRC supports the Government's commitment to the Paris Accord and reducing New Zealand's carbon emissions to net zero by 2050 and the 2030 target of 305 metric tonnes (MT).

A survey of our members by IPSOS on behalf of Ministry of Transport in 2023 showed owners and key decision makers were willing to embrace low and zero emission trucks as soon as they become commercially viable.

Fleet operators are highly aware of, and interested in, technological developments in relation to low/zero-emission heavy vehicles. They are motivated to consider any new technology that may give their business a competitive advantage.

Barriers to uptake were:

- Availability of trucks capable of performing the task.
- Lack of access to sufficient supply of electricity or hydrogen.
- Difficulty estimating total cost of ownership.
- Uncertainty regarding government policy changing.
- Loss of productivity due to increased tare weight and increased down-time (charging EV).

We would encourage Government agencies to work closely with us to develop appropriate strategies to address these barriers as quickly as possible in a way that enables New Zealand's economy to thrive.

Response to the general consultation questions

New Zealand is well placed with several advantages to reduce our emissions and achieve the 2050 net zero target.

Our single government jurisdiction provides New Zealand with a planning and execution advantage over many countries, as does our high supply of renewable electricity. New Zealand also leads the world in our development of green hydrogen production.

The key advantages of taking a net-based approach are that it allows Zealand's economy to grow providing the reductions in emissions keep pace with growth. It also allows for solutions to be deployed that mitigate emissions instead of the narrow focus previously that relied solely on reducing emissions to 2018 levels.

The challenge to this approach is the potential for too many initiatives that dilute the resources available to support them.

This could be managed by ensuring agencies are resourced to manage both

emission reduction and emission mitigation initiatives.

The credibility of the Emissions Trading Scheme (ETS) especially the carbon market is a cause for concern.

NRC does not see any other sectors or areas than those identified in the ERP, that have significant opportunities for cost-effective emissions reduction.

NRC does not see any advantage in having separate provisions for Māori- and iwi-led action to reduce emissions as all ideas should be treated equally.

Support for both adaptation and mitigation

NRC welcomes the approach in this ERP to both adapt and mitigate.

The increase in adverse weather events will continue regardless of New Zealand's reduction in greenhouse gasses and for our members the ability of the transport infrastructure to withstand these events is critical to their ability to maintain the level of service the economy needs to thrive.

Ensuring infrastructure is resilient also makes long term economic sense as it will reduce long term maintenance costs.

Comments on the five pillars of the climate change strategy

Pillar 1: Infrastructure that is resilient and communities that are prepared.

NRC supports the development of clearer guidance and direction on what infrastructure requires increased resilience and what communities will require assistance to maintain transport connections as the climate changes.

It is likely that in some cases existing transport corridors will need to be replaced especially those built on low lying land threatened by rising sea level.

Pillar 2: Credible markets that support climate transition.

NRC is concerned the credibility of New Zealand's main tool to price emissions, the ETS, has been damaged by the failure to attract buyers to the carbon market.

The use of the ETS will need to be monitored to ensure it does not introduce cost into the economy that undermines economic growth.

Pillar 3: Clean energy is abundant and affordable.

NRC agrees with the goal of doubling renewable energy.

We also recommend establishing a reliable source of renewable diesel that could be used to reduce greenhouse gas emissions by up to 90% by simply replacing the fuel source for existing diesel engines.

Adding renewable diesel to the solution options together with battery electric, hydrogen fuel cell and hydrogen combustion will accelerate the transport sector's decarbonisation.

Pillar 4: World-leading climate innovation boosts the economy.

NRC recommends this pillar is not limited to the agricultural sector as New Zealand is a country of innovators with a track record of developing solutions for transport and logistics. It is highly likely innovation will occur within the transport sector that will deliver emissions reductions and value for money.

Pillar 5: Nature-based solutions.

NRC supports this being included in ERP2.

Reaching net zero requires collective action

NRC supports the change to a market-led approach being taken by the Government.

We agree the Government's core role is getting the policy and regulatory settings right to reach net zero as it will encourage all available options that reduce emissions to be assessed as cost-effective and efficient.

Tracking our progress towards meeting emissions budgets

NRC acknowledges there is a need to adjust actions within the emissions budget period as both science and technology evolve. We do not see any long-term negative impact resulting from the changes.

We are concerned there is an identified gap of 101 MT between the first and second budgets that currently has no solution identified.

We support the creation of the Ministerial Group of key Ministers to oversee the work programme and would like to offer assistance to this group to help accelerate any initiative that decarbonises commercial road transport.

Strengthening the New Zealand Emissions Trading Scheme (ETS)

NRC agrees with the intent of the ETS to enable emitters to trade New Zealand emissions units (NZUs) within a defined capped total number.

We agree the ETS has a credibility challenge with the market failing to attract buyers for the NZUs offered at the first four carbon

auctions and only 2.9 million units out of 11.2 million selling at the latest auction.

The steps outlined in this ERP will, in our opinion, help rebuild confidence in the market.

NRC would like to see cross-party agreement on the ETS to build long term confidence needed for the carbon market to function.

For the transport sector we believe decarbonisation is possible given the existing and emerging technologies that can be used to decarbonise transport.

Short term incentives or assistance will be required until scale is achieved that brings the cost of these technologies down to the point they will not load additional cost into the wider economy.

NRC warns that using the ETS to load cost of carbon onto our sector out of step with the ability for the sector to uptake the decarbonising technology will load cost into the wider economy that will fuel inflation.

We would like to see our sector included in managing the impacts of the ETS to ensure the Government's goal to reduce net emissions at least cost is achieved.

Funding and finance for climate mitigation

NRC believes there is significant potential to attract green investment into New Zealand.

New Zealand has many advantages.

- We are a small market that adapts quickly.
- We already have a high percentage of renewable electricity.
- We have no domestic vehicle manufacture to protect.
- We have a single government.

For the transport sector New Zealand provides manufacturers and technology solution providers an ideal testing ground.

We have relatively short distances, every type of terrain found globally and an industry that responds to change in a positive way.

The Government can improve the attractiveness of New Zealand to green investment by ensuring there are clear pathways for investors to follow and senior officials with authority to link investors to each of the sectors.

Providing long term certainty on regulation and policy lowers the risk of investing.

NRC offers to assist in the assessment of any mitigation that may impact the transport sector.

Sector plans

Energy

NRC believes there must be a commitment to ensure there is sufficient generation and supply of electricity in the regions to support electrification of transport.

Using 2023 road user charges data the heavy truck fleet (vehicles exceeding 6,000 kg) travelled 2,504,000,000 km and if they were to all transition to electric would consume 2,003,000,000 kilowatt hours (KWh) of electricity, the equivalent of 286,000 homes being added to the network.

NRC would like to see more encouragement of localised solar generation combined with battery storage. As the supply of used BEV batteries increases, they could be used together with solar to provide resilience to the grid especially where there is currently only one source of transmission.

The use of renewable biofuels that can reduce CO₂ by 90% should be included in the transition path to net zero emissions. They provide an important path forward for

reducing existing fleet emissions by providing a renewable fuel option for internal-combustion engines, while the fleet transitions to new power plant technologies.

We support the Government's investment in supporting hydrogen as it is likely hydrogen will play a role in decarbonising the heavy truck fleet.

Hydrogen should be used to produce synthetic diesel that could be used in all the existing applications that regular diesel is used.

Locating hydrogen production facilities alongside industry that produce CO₂ could use the CO₂ produced to combine with hydrogen to produce synthetic diesel.

NRC also has members that operate aircraft and we support the further exploration of alternatives to jet fuel. We would also encourage support for the development of alternatives for marine diesel as members also operate coastal vessels.

Transport

NRC acknowledges the role our sector plays in creating 17.5 % of the total emissions produced in New Zealand.

Our sector's emissions are strongly connected to the wider economy and as the economy returns to growth our sector's emissions will increase without a change to the profile of the heavy diesel fleet.

NRC would like the Government to add increasing productivity to the list of solutions to decarbonising transport. If more can be shifted with less, the economy benefits.

Increasing productivity will also help mitigate the capital cost penalties and other disincentives to uptake of heavy electric and hydrogen trucks.

Reviewing the vehicle dimension and mass rule should include how to lift the productivity of the fleet alongside the changes need to accommodate battery electric vehicle (BEV) and hydrogen axle mass limits.

Currently there is a lack of charging infrastructure for heavy trucks especially those towing trailers. We would like to see a stronger commitment to supporting the roll out of heavy vehicle rapid charging infrastructure. The expectation that heavy freight vehicles will charge at their depots will limit adoption as many members are reporting difficulty accessing enough electricity to charge a single truck.

Strengthening the ETS so there is a credible market for carbon will provide certainty as to the cost of carbon which will incentivise transition to lower emitting vehicles. NRC cautions lifting the price of carbon before lower emitting technology is available as every cost increase will result in increased costs to the user of the transport sector.

The provision of the \$30 million grant scheme for hybrid or zero-emissions heavy vehicles will encourage early adopters to overcome upfront cost barriers and accelerate the uptake of these vehicles.

It is vital New Zealand fleet owners can see low and zero emission trucks operating in New Zealand so real world barriers to adoption can be identified and resolved.

Adaption and managing distributional impacts

NRC would like to see firmer requirements for all Road Controlling Authorities to identify all transport infrastructure likely to be impacted by climate change and require them to have a plan to address the impact either by adapting the existing infrastructure or relocating it. Ignoring the need to relocate some transport infrastructure will lead to

money being wasted on short term mitigation that would be better spent on long term adaption.

New Zealand will continue to be impacted by changing climate regardless of how successful we are in reducing our emissions. Therefore New Zealand must face up to the reality that some of our transport infrastructure may need to relocate.

Closing comments

In summary, NRC supports the aims and objectives of ERP2 and the path set for heavy vehicles and transport.

We strongly encourage the Government to include all options that will result in reducing emissions and we look forward to working with officials to ensure our members have access to the latest information and technology that allow them to make informed decisions.

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