

Q&As Biofuels Sales Obligation Final Policy

Q. What is the biofuel sales obligation?

A. The biofuels sales obligation will require firms that sell petrol or diesel in New Zealand to also sell biofuel. The amount will be set as a percentage of total combined petrol and diesel sales per year, measured in petajoules, based on the volumetric energy content of each fuel, as follows:

	Year 1 2008 (part year) ¹	Year 2 2009	Year 3 2010	Year 4 2011	Year 5 2012 onwards ²
Obligation: percentage of previous years sales	0.53 percent	1.06 percent	1.67 percent	3.35 percent	3.40 percent
Approximate petajoules ³	0.83	2.22	3.55	7.18	7.25

Q. When would the obligation start?

A. The obligation will start on 1 April 2008 if the legislation is completed in sufficient time.

Q. Will there be sufficient biofuels to meet the obligation?

A. The obligation has been set at practical levels, taking into consideration the combination of supply and distribution constraints.

The obligation levels reflect the quantity of biofuel feedstock currently estimated to be available in New Zealand. There is enough tallow from the meat industry to make between 5 and 6 petajoules of biodiesel. Maize may also be a potential feedstock for producing bioethanol in New Zealand (in addition to small amounts of dairy whey).

Q. Who is required to meet the obligation?

A. The obligation affect firms that first purchase or obtain petrol or diesel from a New Zealand manufacturer (i.e. the New Zealand Refining Company), or import petrol or diesel directly. The firms that will currently be liable are BP, Caltex, Gull, Mobil and Shell.

The obligation would not apply to other firms that purchase their petrol and diesel from the firms that first purchase or import petrol and diesel. For example, Gasoline Alley Services, which on-sells petrol and diesel that it purchases from one of the liable firms, would not be required to meet the

¹ It is expected that the first period for the obligation may not be a full year, it might apply between 1 April 2008 and 31 December 2008.

² The obligation levels will be re-determined annually.

³ Based on modelling by the Ministry of Economic Development for the purpose of 'New Zealand's Energy Outlook to 2030'

obligation, although a liable firm could trade with such firms to meet its obligation.

Q. What is the penalty for not meeting the obligation?

A. The penalty for non compliance is: \$20 million per petajoule of biofuels for which a firm is short of their obligation in 2010, \$25 million per petajoule in 2011 and \$30 million per petajoule in 2012 onwards.

It is also proposed that for the first two years when approval is obtained from the Minister of Energy, firms can roll the obligation over to the following year, with a small volume penalty. The penalty requires the firm to sell an additional 5% of the total amount of biofuels that should have been sold in the obligation year. No other penalties would apply in these first two years.

Q. Can firms trade with each other in order to meet the obligation?

A. Liable firms would be able to trade volumes of biofuel sold between themselves and other firms, provided the biofuels were sold in New Zealand and met relevant quality standards.

Q. What about variable supply: over supply one year and under supply another?

A. In the event that a firm sells more than its annual obligation of biofuels, up to 10% of this can be used to meet all or some of the next year's obligation. Alternatively, firms will also not be penalised if, in one year, they under supply up to 5% of their obligation. This provision is known as 'banking' and applies to the next year only.

Q. Who would administer the obligation?

A. The Ministry of Economic Development will take on responsibility for the administration of the obligation as well as developing the legislation for regulating biofuels. The Ministry of Economic Development will also be the lead agency for coordinating future biofuels policy across government.

Q. How many submissions were received on the biofuels discussion document?

A. A total of 50 submissions were received from a wide range of stakeholders including the oil industry, potential and existing biofuel producers (from New Zealand, the UK and Australia) and potential biofuel feedstock suppliers, motor vehicle industry, freight industry, energy supply industry, local councils, universities, consultants, non-government organisations, professional institutes or bodies and individuals.

Q. What happens next?

A. The development of legislation to cover the obligation, including biofuel fuel quality regulations, will take place in 2007 and be led by the Ministry of Economic Development. Following this, the obligation is expected to come into force on 1 April 2008.

Q. How do I find out more information?

A. Information about the development of the biofuels sales obligation can be found on the Ministry of Transport website, www.transport.govt.nz/biofuels-440-index/.