

The New Zealand government has decided to use an emissions trading scheme for greenhouse gas emissions as part of its response to climate change. Emissions trading will help reduce emissions, encourage and support global action on climate change, and help put New Zealand on a path to sustainability. This factsheet is an introduction to how emissions trading is likely to affect the transport sector.

Emissions trading and transport

Factsheet 6



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Transport emissions

Most forms of travel are fuelled by liquid fossil fuels, such as petrol and diesel, which result in emissions of greenhouse gases into the atmosphere.

New Zealanders travel frequently and have a high level of vehicle ownership. Our use of freight transport has increased as the economy has grown, and our geographical isolation makes us reliant on ships and planes to connect us and our products to the rest of the world.

Since 1990, total transport emissions have increased by 62 per cent. If we make no changes to the way we travel and transport freight, or to the technologies and fuels we use, transport energy use is expected to grow by about a further 35 per cent by 2030. Greenhouse gas emissions would increase at a similar rate. Three-quarters of that growth will come from road transport.

What will an emissions trading scheme cover in the transport sector?

The proposed emissions trading scheme will cover liquid fossil fuels used in New Zealand. It will cover petrol, diesel, aviation gasoline, jet kerosene, light fuel oil, and heavy fuel oil. Emissions from fuel used for international aviation and marine transport will be exempted from the scheme, consistent with the Kyoto Protocol.

The scheme will apply to liquid fossil fuels as far up the supply chain as possible – in other words, when refined oil products leave the refinery or are imported. This means fuel suppliers that take fuel from the refinery or who import it (currently this includes BP, Caltex, Gull, Mobil, and Shell) will be required to participate in the scheme, rather than individual vehicle users.

It is expected that fuel suppliers will be able to pass on the costs of the scheme to their customers, which means that the impact of the scheme on the profits of fuel suppliers will be limited. Therefore, the government does not intend to give fuel suppliers free emission units.



What are the priority issues for discussion?

The government has decided in principle that the transport sector will join the emissions trading scheme on 1 January 2009.

Discussions with the liquid fossil fuel sector, however, will focus on:

- > the option for large users of jet fuel to participate voluntarily in the scheme
- > ensuring the scheme has not left out any fuels that would be sensible to include eg, lubricating oils
- > the exact point in the supply chain where participants will be required to monitor fuel volumes for the purpose of calculating the quantity of emission units that participants are required to surrender eg, point of excise duty or when fuel is sold by fuel suppliers.

Potential impacts of an emissions trading scheme for the transport sector

It is expected that the cost of emission units will be passed through to consumers of liquid fossil fuels. For example, assuming a price of emissions of \$15 per tonne of carbon dioxide equivalent, fuel prices would likely rise by around 4 cents per litre.

Other government climate change initiatives relevant to the transport sector

Emissions trading is part of a wider government package of policies to tackle transport emissions and climate change. Current government climate change and transport initiatives include the following:

- > The **New Zealand Transport Strategy**, which defines the government's vision of an affordable, integrated, safe, responsive, and sustainable transport system by 2010. One of its aims is to ensure environmental sustainability, and its policies will encourage energy-efficient modes of transport.
- > \$900 million of **additional government investment** in public transport in the period 2006 to 2010, in particular on rail infrastructure improvements in Auckland and Wellington, as well as national rail improvements.

- > A **biofuels sales obligation** of 3.4 per cent of liquid fuel sales by 2012. Between 2008 and 2012 the biofuels sales obligation is expected to result in a reduction of more than a million tonnes of carbon dioxide emissions.
- > **Travel behaviour programmes** – such as walking school buses and workplace travel plans.
- > The government **FuelSaver website**, which provides people with information to compare the fuel consumption of different vehicle models. The website also enables drivers to calculate vehicle fuel costs by considering their vehicle model, the distance travelled, the kind of fuel that is used, and their driving habits. See: www.fuelsaver.govt.nz
- > The **Choke the Smoke campaign**, which encourages people to go on a 'low carbon diet', for example, by using public transport, carpooling, walking, or cycling, by tuning their cars, keeping tyres inflated correctly, and by using their accelerator more sparingly. See: www.chokethesmoke.govt.nz

Proposed transport policies and measures include the following:

- > **Mandatory vehicle fuel-efficiency labelling**, which would require fuel consumption labelling for light vehicles. The scheme would cover both new and used vehicle sales so that as many cars as possible are included.
- > A **vehicle fleet sales-weighted standard for fuel economy**, which would require a certain average fuel economy for all vehicles sold (or purchased) during a particular period. The standard would be designed to improve fuel consumption across all vehicles in the fleet, as well as to provide flexibility to the industry and choices to consumers.
- > The **fleet operator commitment and driver training programme**, which would provide information and training to drivers of heavy and light commercial vehicles. Differences in driver behaviour alone can affect fuel use by up to 35 per cent, and it has been estimated that a training programme for heavy vehicle drivers could give fuel savings of at least 10 per cent each year.

Where to go for more information

For more information on the government's climate change work, including 'The Framework for a New Zealand Emissions Trading Scheme' and a series of emissions trading factsheets, visit www.climatechange.govt.nz