

SUPPORT ACTIVITY



Certificate of Achievement

The NZSAR Certificates of Achievement for Support Activity are awarded for an important contribution to search and rescue in the New Zealand Search and Rescue Region.

Phoebe Havill

Surf Life Saving New Zealand

For her service and commitment to Surf Life Saving New Zealand and the Wāhine on Water programme.

Phoebe Havill joined the Onemana Surf Life Saving Club when she was five years old, becoming a qualified lifeguard at age 14. Her passion for surf life saving continued to grow, as did the responsibilities she took on as a club captain, committee member and instructor.



In 2018, Phoebe attended Surf Life Saving New Zealand's 'BP Leaders for Life Programme', which aims to enhance the abilities of leading lifeguards through practical projects.

Phoebe and three of her fellow participants noticed a lack of females with Inflatable Rescue Boat (IRB) qualifications, which are essential to gain senior lifeguarding qualifications and unlocking leadership opportunities within Surf Life Saving New Zealand, including search and rescue.

At the time Phoebe was going through the leadership programme, just 28 percent of IRB drivers were female. Phoebe quickly realised this was an area that she could influence, and Wāhine on Water was born. This programme consists of female-only IRB training days, which aim to support, grow and retain the talents and contributions of the female volunteers.

Since April 2019, there have been 17 Wāhine on Water training days, which encourage upskilling and networking, as well as providing an opportunity to engage with female role models.

A 500-member Facebook group connects female lifeguards across New Zealand, whilst off-shoot Female Leadership Evenings and weekly Wāhine Swim Squads build on the momentum of the programme.

Phoebe is highly regarded as a dedicated volunteer, gifted leader, and role model by her Surf Life Saving colleagues and her community.

Certificate of Achievement

Peter Kara

Coastguard New Zealand Tautiaki Moana Aotearoa

For his service and commitment to search and rescue and Coastguard Nelson.

Peter Kara joined Coastguard Nelson in 2006. As a keen fisherman and diver, he wanted to give back to his community.



Drawing on past leadership experience from the military and working for the United Nations, Peter took on the role of President and developed a vision to grow the capabilities of the small Coastguard Nelson unit.

His leadership style has the welfare of volunteers and their families at its core. He is committed to ensuring volunteers are supported following a significant or complex rescue, during hard times at home, or even when celebrating family milestones.

A centerpiece of his Coastguard career was his significant contribution to the fundraising, building, and launching of *Hohapata – Sealord Rescue*. This state-of-the-art rescue vessel was the culmination of 14 years' fundraising and volunteer project work.

Peter ensured strong relationships with local community groups and businesses were built, so they understood the contribution the new vessel would make to the region. Those strong relationships paid off, with Nelson-based business Sealord donating a generous \$215,000 to help the new vessel over the line when the COVID-19 pandemic delayed the project.

Peter is a humble and inspirational leader, who is highly regarded by his peers, the local community and iwi alike.

Certificate of Achievement

Richard Craig

Coastguard New Zealand Tautiaki Moana Aotearoa

For his service and commitment to search and rescue and Coastguard Kaikoura.

Richard Craig has dedicated nearly 35 years' service to Coastguard Kaikoura. He is now their longest-serving volunteer with experience in all aspects of a Coastguard unit including rescues, maintenance, training, fundraising, and governance.



Richard played an integral part in the planning and fundraising of over \$700,000 for the commissioning of a purpose-built vessel. *Kaikoura Rescue*, launched in 2006, enabled the unit to operate further from shore and in marginal conditions. With this capability, Coastguard Kaikoura was able to successfully rescue two injured sailors from the yacht *Marguerite* in 2010 after it collided with a whale.

Richard was recognised for his part as crew during that rescue, performed more than 30 kilometres offshore with five-metre swells and 120 kilometre per hour winds.

He has served many years as unit President, as well as on the Coastguard Southern Regional Board and National board, where he contributed to the national rebranding of Coastguard in 2004.

Richard's exceptional skills and knowledge are only matched by his sheer enthusiasm to help. He is always around, whether the task is small or huge, rescue or routine maintenance.

He is a well-respected member of the team, and his dedication to his unit and the Coastguard mission is without peer.

Certificate of Achievement

Ray Harkness

Amateur Radio Emergency Communications

For his service and commitment to search and rescue and WanderSearch.

Ray Harkness has contributed more than 20 years' service to search and rescue, through his involvement with Amateur Radio Emergency Communications (AREC) and LandSAR.



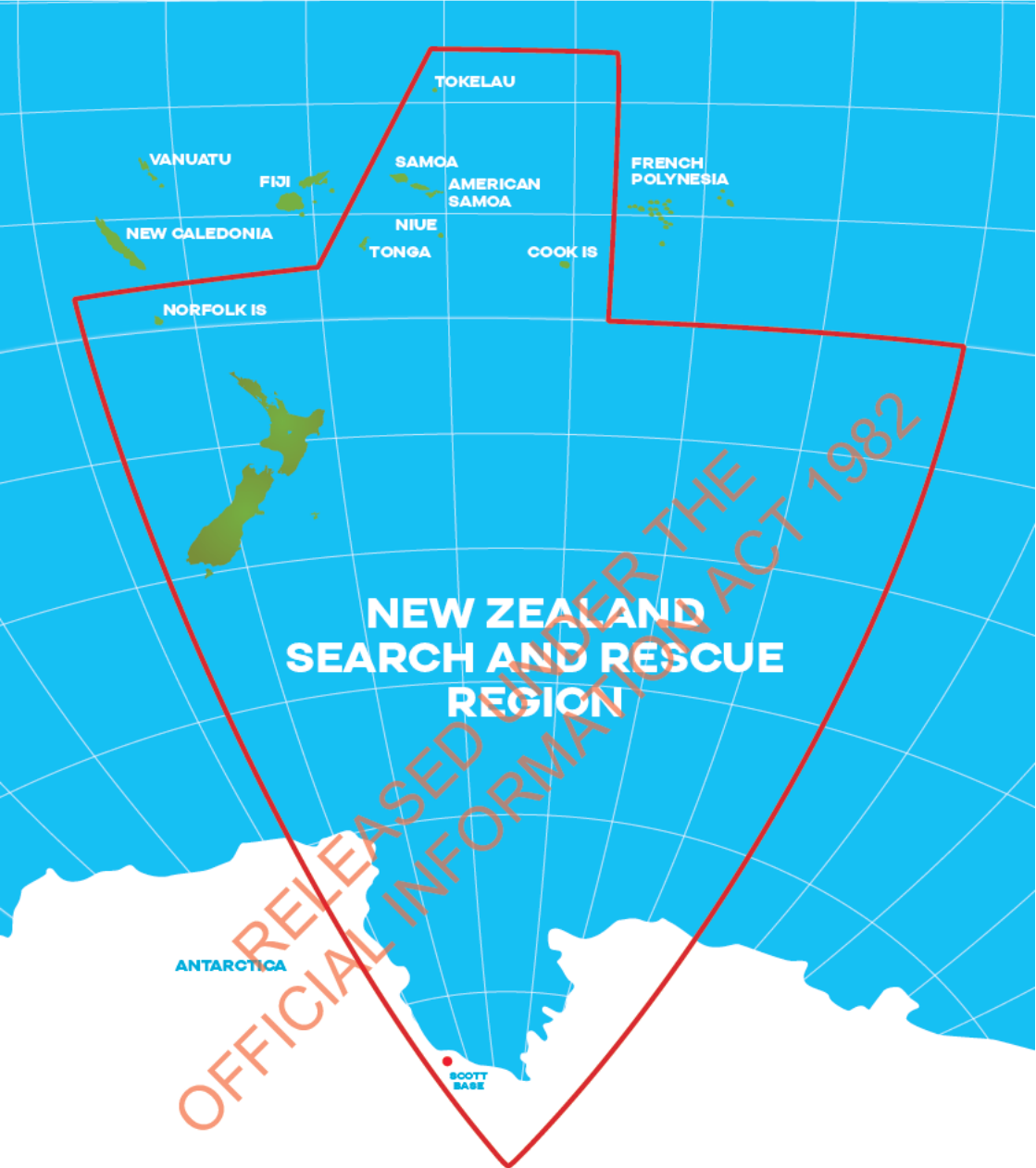
Ray is a valuable member of any search and rescue operation requiring radio communications in the Wellington region, whether deploying, operating or maintaining the equipment needed. Beyond the pure communication tasks, Ray is quick to volunteer for general jobs whenever and wherever he can help.

With his years of experience, Ray is a highly regarded expert, providing critical advice when complex terrain demands elegant communication solutions. Likewise, for insight on the ground itself, he draws on years of experience in exploring the region to help search teams understand what they are about to encounter during their tasks.

Ray is generous with his skills and experience and enjoys training and mentoring members new to LandSAR and AREC.

His strategic vision to support the community led to him establishing the Trust that funds the WanderSearch programme in the Wellington region. Ray currently administers the Trust as well as performing many of the day-to-day tasks required to successfully provide the WanderSearch programme for clients and rescuers in Wellington.

Ray is a valued and respected member of the Wellington search and rescue community.



Do you know an organisation, group or individual who you think should be acknowledged for their contribution to search and rescue?

There are two categories – operational activity and support activity. More information about each category, the NZSAR Awards and the nomination process can be found at nzsar.govt.nz/awards.

The 2022 Award nominations close on 31 January 2023.

4 May 2022

OC220348

Hon Michael Wood
Minister of Transport

MEETING WITH MITSUI REPRESENTATIVES - 5 MAY 2022

Snapshot

You are meeting with Mitsui & Co. Ltd (Mitsui) representatives, along with the Minister of Energy and Resources, to discuss Mitsui's interests in New Zealand's green hydrogen development and wider clean transport and energy linkages. Background context and suggested talking points are provided for your reference.

Time and date	11:30am – 12:00pm, 5 May 2022
Venue	Zoom
Attendees	<p>New Zealand</p> <p>Jason Brown, CEO, Mitsui & Co. NZ Limited</p> <p>Koichiro Yoneda, Head of Hydrogen Business, Mitsui & Co. NZ Limited</p> <p>Singapore</p> <p>Kaoru Umehara, Divisional Operating Officer, Infrastructure and Energy Division, Mitsui & Co. Ltd. (Asia Pacific)</p> <p>Hisato Nakayama, General Manager, Energy Department, Mitsui & Co. Ltd. (Asia Pacific)</p> <p>Nozomu Ohki, Deputy General Manager, Energy Department, Mitsui & Co. Ltd. (Asia Pacific)</p> <p>Tokyo (TBC)</p> <p>Koji Amano, General Manager, Hydrogen Value Chain Dept., Energy Solution Business Unit, Mitsui & Co. Ltd.</p> <p>Takeshi Sakaura, Deputy General Manager, Mitsui & Co. Ltd. Hydrogen Value Chain Dept., Energy Solution Business Unit, Mitsui & Co. Ltd.</p> <p>Yasunari Mizuno, Manager, Hydrogen Value Chain Dept., Energy Solution Business Unit, Mitsui & Co. Ltd.</p>
Officials attending	<p>Ewan Delany, Manager, Environment, Emissions & Adaptation</p> <p>HanLing Petredean, Senior Advisor, Environment, Emissions & Adaptation</p>

Agenda	<p>Mitsui seeks discussion on:</p> <p>Southern Green Hydrogen and NZ Battery Projects, including:</p> <ul style="list-style-type: none"> • aluminium and hydrogen export, • domestic hydrogen for transport & Ammonia (fertilizer) • virtual power storage to absorb dry year season power demand <p>Mitsui's hydrogen business with Hiringa (demand stimulation)</p> <p>Clean transport infrastructure roll-out, including RUC exemptions</p> <p>Geothermal potential</p> <p>Kapuni Iwi appeal context (Waitangi and future large scale wind power generation)</p>
Talking points	See attached (Annex 1)

Contacts

Name	Telephone	First contact
Ewan Delany, Manager, Environment, Emissions & Adaptation	s 9(2)(a)	✓
HanLing Petredean, Senior Advisor, Environment, Emissions & Adaptation		

Meeting with Mitsui representatives - 5 May 2022

Mitsui & Company Limited

- 1 Mitsui & Co., Ltd., (Mitsui) is a global trading and investment company. Mitsui has a wide spectrum of operations, including mineral and metal resources, machinery and infrastructure, chemicals, energy, lifestyle, innovation and corporate development. Mitsui is one of Japan's leading integrated energy companies, and explores, develops, produces, and trades energy resources.
- 2 Jason Brown is the Chief Executive Officer of Mitsui & Co. NZ Ltd (Mitsui NZ), Mitsui's New Zealand-based operations branch.

Southern Green Hydrogen Project

- 3 The Southern Green Hydrogen Project is a joint initiative led by Meridian Energy and Contact Energy. It is evaluating the opportunity for green hydrogen production in Southland, New Zealand.
- 4 Mitsui NZ is one of four potential development partners shortlisted for the Southern Green Hydrogen Project. Shortlisted counterparties are now engaged in a request for proposal (RFP) process to identify 'early stage' business plans and cases for a 600MW green hydrogen production facility in Southland. Mitsui NZ will be updated once all RFP responses have been evaluated.

Aluminium and hydrogen export

- 5 The Southern Green Hydrogen Project is investigating the potential of using the renewable energy presently provided to Tiwai Point for green hydrogen production.

s 9(2)(b)(ii)

Domestic hydrogen for transport and ammonia (fertilizer)

- 6 As a low emissions transport fuel source, green hydrogen is primarily considered as a viable option to address heavy vehicle emissions. It is not considered a cost-effective option for decarbonising the light vehicle fleet, particularly given the Government's focus on transitioning to battery-electric light vehicles.
- 7 Focussing on green hydrogen risks locking-in investment as green hydrogen infrastructure and vehicles are not compatible with other renewable and non-renewable fuel sources and refuelling infrastructure. In contrast, refuelling a truck with biofuel is comparable to refuelling with diesel and uses the same infrastructure.
- 8 Most domestic freight vehicles travel less than 100,000 kilometres each year, with the majority of trips being intra-regional. Although hydrogen fuel cell vehicles can travel longer distances without refuelling, in New Zealand we are unlikely to require many vehicles with range beyond that expected to be provided by battery-electric freight vehicles in future given average freight trip patterns.

- 9 There is potential for hydrogen to reduce fertiliser production emissions by acting as a substitute for natural gas. Emissions from ammonia production (which is processed into urea and used as fertiliser) accounted for less than one percent of New Zealand's total industry emissions in 2019. Hydrogen uptake for urea production will depend on the cost of hydrogen and its competitiveness with alternatives.

The New Zealand Battery Project and its linkages to hydrogen development

- 10 In December 2020, Cabinet set up the New Zealand Battery Project (the NZ Battery Project) to assess renewable storage options to address the issue of dry years in the electricity system. During dry years, inflows to hydro catchments are lower than normal and lake level lake levels decline; electricity generation is therefore reduced

11 s 9(2)(b)(ii)

Virtual power storage to absorb dry year season power demand

- 12 Mitsui may wish to discuss with you how Virtual Power Plants (VPPs), a form of virtual power storage, could contribute to New Zealand's dry year solution
- 13 A VPP works remotely to combine a number of independent energy resources, such as solar and wind farms, from disparate locations into a single network. VPPs are relatively new energy models, often employing software-based technology reliant on smart grids for their operation. A key feature of VPPs is that they can aggregate flexible capacity to address peaks in electricity demand.

Mitsui has vested interests in Hiringa Energy's domestic hydrogen enterprise and New Zealand's wider transport decarbonisation pathways

- 14 In September 2021, Mitsui became a strategic investor in Hiringa Refuelling New Zealand Limited (Hiringa Energy). Hiringa Energy is New Zealand's first company dedicated to the supply of green hydrogen. It aims to develop a network of green hydrogen refuelling stations for fuel-cell powered heavy vehicles in New Zealand, with a pilot for the first four refuelling stations slated for 2022.
- 15 Mitsui will likely seek discussion on how the Government will support hydrogen demand and uptake in the heavy vehicle fleet. This includes a potential amendment to the current exemptions under the Road User Charges Act 2012.

The Government is actively considering the role of hydrogen as a transport decarbonisation lever

- 16 The Government has already provided Hiringa grant funding for its refuelling network pilot through the Low Emissions Transport Fund (LETf) administered by the Energy Efficiency and Conservation Authority (EECA). The outcomes of this pilot will assist in determining where hydrogen might best contribute to our heavy freight and wider transport decarbonisation efforts.
- 17 The Ministry is also in the process of developing the Freight and Supply Chain Strategy, which will include a focus on priority areas for freight transport

decarbonisation and supporting infrastructure. The Strategy will consider the role of hydrogen as a freight decarbonisation lever.

- 18 More broadly, the Ministry has set out clear pathways for the decarbonisation of our wider transport system in the transport chapter of the Government's Emissions Reduction Plan. This includes strategic thinking around the underlying infrastructure and the role of low-carbon fuels, such as green hydrogen, needed to target our hard-to-decarbonise sectors, including freight, shipping and aviation.
- 19 MBIE is presently leading a cross-agency working group aimed at ensuring the regulatory system as it affects hydrogen is fit for purpose.

Amendments to existing Road User Charge exemptions for hydrogen vehicles

- 20 You have previously met with Hiringa Energy representatives to discuss their recommended policies to support hydrogen vehicle uptake. This included a discussion on amending the current Road User Charges Act 2012 (RUC Act) to include a specific exemption for heavy EVs to include green hydrogen.

21 s 9(2)(g)(i)

- 22 Unless deemed high priority by Parliament, amending RUC exemptions as set out in the Road User Charges Act 2012 would require approximately 18 months to two years.

23 s 9(2)(g)(i)

- 24 The Ministry is currently undergoing submissions analysis on the recent consultation paper: *'Te Huringa Taraiwa: Te arotake I te pūnaha utu kaiwhakamahi rori | 'Driving Change: Reviewing the Road User Charges System,'* which outlined potential amendments to the RUC Act. We expect to report back on the outcomes of this consultation by June 2022.

Mitsui has expressed interest in geothermal energy production, including exploring domestic investment opportunities

- 25 Geothermal energy generates 19 percent of total domestic renewable electricity.
- 26 There have been a range of recent geothermal investments, such as the expansion of the Ngāwha geothermal power station in Northland. In Taupō, Tuaropaki Trust has partnered with Japanese multinational Obayashi Corporation to construct a pilot hydrogen production facility using geothermal electricity.

Kapuni Iwi appeal context

- 27 Mitsui has expressed their concern over the current delay to the Ballance-Hiringa Kapuni project, specifically the construction of wind turbines which will be used to power the future green hydrogen urea plant. Delay is due to Te Korowai o

Ngāruahine Trust having filed notice to appeal the proposed construction of four wind turbines in its area to the High Court.

- 28 We consider this issue is best addressed by the Minister of Energy and Resources given the project falls under her portfolio. However, we note that Māori are a key stakeholder in these processes, and Māori rights and interests in natural resources are a key consideration in setting approaches in these areas.

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OFFICIAL INFORMATION ACT 1982

Annex 1: Talking Points

MEETING WITH MITSUI REPRESENTATIVES - 5 MAY 2022

Talking Points

- Accelerating the uptake of low-emissions vehicles and fuels will be key to meeting upcoming carbon budgets for the transport sector. I acknowledge the many interlinkages between our transport and energy sectors, which is reflected in the strong working relationship between our ministries and portfolio interests.
- The Government is committed to exploring alternative low-emissions fuels for transport sector decarbonisation. Of particular focus is the heavy vehicle fleet, namely freight.
- Any future government investment in alternative fuels will require consideration of emissions reduction potential, associated infrastructure costs, vehicle availability, technology maturity and fuel price certainty compared to other alternatives.
- I encourage you to review the Government's first Emissions Reduction Plan once released later this month. The transport and energy chapters will help to provide insight into where hydrogen might play a role in our decarbonisation pathways ahead.
- With respect to any future amendments to the Road User Charges Act (the RUC Act), the Government is currently analysing feedback from a recent consultation paper, which outlined potential amendments to the RUC Act.
- The RUC Act's purpose is to impose "charges on RUC vehicles for their use of the roads that are in proportion to the costs that the vehicles generate". These costs have always been limited to the expenses incurred by the Crown in funding the National Land Transport Programme.
- My officials advise that the purpose, or the other powers in the RUC Act, do not provide any flexibility to consider the climate impacts of the fuel source when setting a RUC rate or considering exemptions. This is why it would be necessary to amend the RUC Act before RUC exemptions for hydrogen fuel cell electric vehicles could be considered.
- I appreciate the positive working relationship Mitsui has held with the Government and look forward to future discussions.

5 May 2022

OC220351

Hon Michael Wood
Minister of Transport

Action required by:
 Friday, 13 May 2022

INTERNATIONAL MARITIME ORGANIZATION - NEW ZEALAND POSITION ON AN EQUITABLE TRANSITION PROPOSAL

Purpose

Seek your direction to the New Zealand delegation to the International Maritime Organization (IMO) Intersessional Working Group on Greenhouse Gas Emissions (ISWG-GHG), specifically, agreement for New Zealand to support a proposal made by some Pacific Island countries about how the IMO should seek to give effect to an equitable transition of the shipping sector to zero emissions.

Key points

- The IMO's ISWG-GHG will meet 16-20 May 2022 s 6(b)
 [REDACTED]
 [REDACTED] the proposal seeks the IMO's agreement to:
 - ensure equity between states in the transition to zero emissions shipping.
 - accept distribution of revenues raised by IMO market-based measures (MBMs) as a means of ensuring equity, with a priority for countries most vulnerable to the impacts of climate change.
 - convene a dedicated meeting to consider concrete proposals on characteristics of MBMs including revenue collection and use.
- While the draft 2022 International Climate Change Engagement Plan¹ states New Zealand will promote equitable solutions and a Just Transition in all multilateral climate forums this is not a specific element of our negotiation mandate for the IMO, as agreed by Cabinet in August 2021 [CAB-21-MIN-0199 refers]. Rather, Cabinet agreed that in IMO negotiations, New Zealand will seek outcomes that recognise and protect the interests of Pacific Island countries and territories.
- Ensuring an equitable transition for States presents a number of challenges to the IMO:
 - The IMO's primary role is to regulate international shipping;

¹ This is led by the Ministry of Foreign Affairs and Trade and supported by Te Manatū Waka.

- s 9(2)(g)(i) [REDACTED]
- Addressing inequity through the collection and redistribution of carbon revenues is a new activity for the IMO and likely to involve transactions of unprecedented value;
- s 9(2)(g)(i) [REDACTED]
- s 6(a), s 9(2)(j) [REDACTED]
- s 9(2)(g)(i), s 9(2)(j) [REDACTED]

Recommendations

We recommend you:

- 1 **note** the International Maritime Organization is likely to consider its role in the equitable transition of the international shipping sector to net zero emissions by 2050;
- 2 s 6(b) [REDACTED]
- 3 **agree** the New Zealand delegation can support these calls in principle, subject to satisfactory resolution of implementation details; Yes / No
- 4 **refer** this briefing to Hon James Shaw Minister for Climate Change and Hon Nanaia Mahuta Minister of Foreign Affairs and Trade. Yes / No


 Ewan Delany
 Manager, Environment, Emissions and
 Adaptation

4 / 5 / 22
 / /

Hon Michael Wood
 Minister of Transport

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Minister's office to complete:

☐ Approved

☐ Declined

☐ Seen by Minister

☐ Not seen by Minister

☐ Overtaken by events

Comments

Contacts

Name	Telephone	First contact
Ewan Delany, Manager, Environment, Emissions and Adaptation	s 9(2)(a)	✓
Michelle Palmer, Adviser, Environment, Emissions and Adaptation	s 9(2)(a)	

INTERNATIONAL MARITIME ORGANIZATION - NEW ZEALAND POSITION ON AN EQUITABLE TRANSITION PROPOSAL

In 2018, the International Maritime Organization (IMO) adopted the Initial IMO Strategy on Reduction of Greenhouse Gas (GHG) Emissions from Ships

- 1 The Initial Strategy establishes a vision for international shipping, sets “levels of ambition” relating to energy efficiency, carbon intensity and peak and decline of GHG emissions, identifies guiding principles, and provides adoption of implementation measures. The strategy is set to be reviewed in 2023.
- 2 The current key commitments include:
 - 2.1 reduce CO₂ emissions by at least 40 percent by 2030;
 - 2.2 peak GHG emissions as soon as possible and reducing by 50 percent by 2050; and
 - 2.3 a pathway of CO₂ emission reduction consistent with 1.5°C Paris temperature goal.
- 3 The latest IMO study shows the global GHG contribution from shipping has increased from 2.76 percent in 2012 to 2.89 percent in 2018. This is projected to continue to increase.
- 4 As agreed by Cabinet in 2021 [CAB-21-MIN 0 99 refers], New Zealand’s priorities in the IMO negotiations to operationalise the strategy include:
 - 4.1 an ambitious revised IMO Strategy, applicable to all ships, accompanied by a concrete schedule of pragmatic steps to ensure appropriate action is not deferred;
 - 4.2 recognition and protection of the interests of Pacific Island countries and territories; and
 - 4.3 operationalisation of Common but Differentiated Responsibilities and Respective Capabilities (CBDR/RC) by the IMO.

The next round of IMO negotiations will take place virtually on 16 - 20 May 2022

- 5 These negotiations will be a meeting of the IMO’s ISWG-GHG and is scheduled to focus on medium- and long-term emission reduction measures. There is increasing acceptance amongst participating governments that such measures will be “market based”, i.e. include carbon pricing of international shipping emissions in some form.
- 6 The May ISWG-GHG meetings are not a decision-making process. They serve to make recommendations to the June negotiations of the IMO Marine Environment Protection Committee. We anticipate recommendations will determine the parameters for further consideration of specific market-based measures (MBMs).

- 7 A number of MBM proposals have been raised in the IMO over recent years. These have given rise to questions about how disproportionate negative economic impacts on some states should be addressed, and how revenues collected through such measures should be spent. These MBM proposals remain on the table, and more are expected. Some countries' interest has turned to resolving some of the high-level questions at a principled level before addressing specific options for measures.
- 8 Te Manatū Waka, Maritime New Zealand and the Ministry of Foreign Affairs and Trade (MFAT) are jointly commissioning analysis of the risks and opportunities to New Zealand from different approaches to MBMs.

s 6(b)

- 9 The proposal seeks the IMO's agreement to:
 - 9.1 ensure equity between states in the transition to zero emissions shipping;
 - 9.2 accept distribution of revenues raised by IMO MBMs as a means of ensuring equity, with a priority for countries most vulnerable to the impacts of climate change; and
 - 9.3 convene a dedicated meeting to consider concrete proposals on characteristics of MBMs including revenue collection and use.
- 10 The proposal frames distribution of revenues raised by IMO measures as a means of ensuring equity in the transition to zero emissions shipping. Amongst other things, it invites member states to remain cognisant of the need to protect the climate system for the benefit of future generations, and to ensure all countries have access to transition technologies and fuels. It proposes convening a dedicated meeting to consider concrete proposals on characteristics of MBMs including revenue collection and use.

The proposal is based on arguments New Zealand has made in international forums

- 11 These arguments include:
 - 11.1 The most recent Intergovernmental Panel on Climate Change science underscores the need for urgent action.
 - 11.2 A sustainable and equitable global transition requires more than just achieving the temperature goal of limiting global average temperature rise to 1.5°C (i.e. developed countries must show leadership, the most vulnerable countries must be supported).
 - 11.3 An appropriate mechanism is needed for the IMO to address any disproportionate negative impacts on states arising from its emissions reduction measures without diluting the ambition of such measures.
 - 11.4 Financing shipping related activities alone will not maximise the IMO's contribution to climate action and sustainable development.

s 9(2)(j)

s 9(2)(g)(i), s 9(2)(j)

Proposed New Zealand response to the equitable transition proposal

New Zealand's well-known commitment to stand with the Pacific in relation to international climate change matters leads to expectations we will support the equitable transition initiative

s 6(a), s 6(b)

- 17 While the delegation's current IMO negotiation mandate is silent on issues of equity, the MFAT-led draft 2022 International Climate Change Engagement Plan states New Zealand will promote equitable solutions and just transition in all multilateral climate fora.

Accordingly, we seek your agreement that we will speak in support of the core elements of
s 6(a) *proposal*

- 18 These core elements include a commitment to equity, the concept of redistributing of revenues to address vulnerability to climate change, and convening a meeting to explore how to do this.

s 9(2)(g)(i), s 9(2)(j)

- 19 With or without agreement to commit to an equitable transition, the MBM proposals on the table at the IMO will give rise to decisions about institutional arrangements and the IMO's role in relation to revenues and assessing climate impacts. This means there will be opportunities for New Zealand to promote its preferred solutions in due course. s 9(2)(g)(i), s 9(2)(j)

s 9(2)(g)(i), s 9(2)(j)

s 6(a), s 9(2)(g)(i), s 9(2)(j)

- 21 New Zealand may be one of only a few countries that support the proposal at the upcoming IMO ISWG-GHG meeting. s 9(2)(g)(i), s 9(2)(j)

Next Steps

- 22 New Zealand's proposed response has been informed by MFAT, Maritime New Zealand, the Ministry for the Environment and Te Mahatū Waka.
- 23 Officials from MFAT plan to speak to the Minister of Climate Change next week to discuss the proposal further ahead of the ISWG-GHG meeting commencing on 16 May 2022.



Cabinet Committee Background Information and Talking Points

Cabinet Committee: *Cabinet Economic Development Committee (DEV)*

Paper Title: *Sustainable Biofuels Obligation: Discussion document on proposed options for regulations*

Portfolio: *Energy and Resources / Transport*

Background Information:

- On 1 November 2021, Cabinet agreed to the final policy design for the Sustainable Biofuels Mandate, now referred to as the Sustainable Biofuels Obligation (the Obligation). The Obligation will come into effect from 1 April 2023.
- The Obligation requires importers and domestic producers of liquid transport fuels to reduce the greenhouse gas (GHG) emissions intensity of their fuel supply by a set percentage each year through the deployment of biofuels.
- Fuel suppliers will have the flexibility to deploy any type of biofuel in any location in New Zealand, subject to their meeting set sustainability criteria.
- The Obligation's required GHG emissions intensity reductions for the first three years are:

Year	GHG Emissions Intensity Reduction Target
2023	1.2%
2024	2.4%
2025	3.5%

- Provisional targets will be set for 2026 and beyond, increasing up to 9.0 per cent by 2035.
- The Sustainable Biofuels Obligation makes a significant contribution to the quantified emissions reductions set out in the Government's Emissions Reduction Plan (ERP).
- In its current form, the Obligation will equate to a reduction of approximately 1.054 million tonnes of carbon dioxide equivalent (MtCO₂e) in emissions budget period one (2022 – 2025), and reductions of approximately 3.028 MtCO₂e and 4.405 MtCO₂e in the second (2026-2030) and third (2031 – 2035) emissions budget periods.

- To put this into perspective, the Obligation accounts for approximately 53 percent of transport's emissions abatement from policy actions (including emissions trading scheme price changes) in the first emissions budget period alone.
- The Obligation is also critical for meeting our target of a 10 percent reduction in transport fuel emissions intensity by 2035 under the ERP.
- **Annex 1** sets out additional detail on proposals set out in the discussion document.

Talking Points:

- The Minister of Energy and Resources and I are seeking Cabinet's approval to undertake public consultation on a discussion document outlining the regulations required to enact the Obligation.
- To support the implementation of the Obligation, we propose a regulatory scheme that will:
 - outline a methodology for the assessment of the lifecycle emissions intensity of biofuels and fossil fuels;
 - assess and verify whether biofuels meet the sustainability criteria previously agreed to by Cabinet; and
 - determine the sustainability certification schemes to be used.
- We are seeking feedback from industry and the public on the proposals set out in the discussion document. Consultation will run for a four-week period, subject to Cabinet approval to release this discussion document.
- Following consultation, we will report back to Cabinet with final proposals for the regulations in early August 2022. The Sustainable Biofuels Bill (the Bill) has a category 2 priority (to be passed this year), and the Minister of Energy and Resources intends to introduce the Bill in August 2022.

Annex 1: Additional detail on proposals set out in the Sustainable Biofuels Obligation regulations discussion document

A methodology for the assessment of lifecycle emissions intensity of biofuels and fossil fuels

- To determine the emissions reductions from the deployment of biofuels, lifecycle emissions intensity factors will need to be calculated for each type of liquid fuel (biofuels and fossil fuels).
- Life cycle emissions analysis covers each part of the production and supply chain from raw material to end product (often referred to as from 'well to wheel' for fossil fuels, or 'field to wheel' for biofuels). This is important because a significant proportion of the emissions resulting from the biofuels supply chain could occur outside New Zealand.
- The discussion document sets out the proposed methodology for calculating the lifecycle emissions intensity of each biofuel, taking into account factors such as land use change, cultivation, refining and processing, and transportation and distribution.
- This methodology mirrors the approach taken under the European Union's Renewable Energy Directive II. This promotes alignment with international best practice.
- The proposed methodology permits two primary means of calculating lifecycle emissions intensity. These include the use of:
 - **Default emissions intensity factors**, which will be set out in regulations for each type of liquid fuel. These should be conservative factors to avoid overstating emissions reductions; and
 - **Actual emissions intensity factors**, which correspond to the actual biofuels used by obligated parties, as opposed to approximate equivalents represented by default values. Strict auditing and verification by sustainability certification schemes of biofuels' production processes and supply chains is required to enable this.
- The discussion document proposes that the default emissions intensity factors expressed in the European Union Renewable Energy Directive II (RED II) should be used to enable the Obligation to be operational from 1 April 2023. The transport and distribution component of the biofuels supply chain will be updated to reflect New Zealand's distance from biorefineries or feedstocks.

The sustainability criteria

- Fuel suppliers will have the flexibility to deploy any types of biofuels into their fuel mix, provided the biofuels meet the sustainability criteria.
- The sustainability criteria, as previously agreed to by Cabinet, test whether the biofuel will have a significant adverse impact on biodiversity, carbon stocks, food and feed

security, water quality and availability, the risk of indirect land use change, and the production of waste.

- The discussion document provides further detail on how these criteria will be evaluated and implemented.
- The discussion document also includes an option where some biofuels produced from wastes or residues (materials that would otherwise be discarded) will be considered to be sustainable without having to be assessed against the sustainability criteria.
- The proposals included in the discussion document would not impact New Zealand's opportunities for domestic production.
- However, over the medium to long term, the sustainability criteria will need to be assessed to ensure alignment with domestic biofuel production policy and market factors.

International sustainability certification

- Some elements of the sustainability criteria (biodiversity, impact on carbon stocks and water quality, and availability) are met if the feedstock or biofuel is certified under the International Sustainability and Carbon Certification (ISCC) or the Roundtable on Sustainable Biomaterials (RSB).
- The ISCC and RSB are derived from the EU's Renewable Energy Directive II and are widely considered best practice.
- Using international sustainability schemes recognises that most feedstocks and biofuels used will likely be brought in from overseas. However, we aim to strike a balance between domestic sustainability considerations and overseas factors.

How the ISCC and RSB schemes work

- Both schemes (ISCC and RSB) require all legal requirements in the country of origin or processing to be met. This means that any domestic regulation will apply to domestically produced biofuels and input feedstocks in New Zealand (for example, the Resource Management Act 1991).
- Both schemes are supported by independent 'certifying bodies,' which assess feedstock and biofuel production facilities along the supply chain against the relevant sustainability criteria. A sustainability certificate is granted from either ISCC or RSB when the feedstock or biofuel is approved by the certifying body.

Addressing the risk of indirect land use change (ILUC)

- A wide range of global studies illustrate that, when accounting for the likely impacts of indirect land use change (ILUC) emissions, some biofuels can create a net emissions increase compared to liquid fossil fuels.

- Mitigating the impact of ILUC is a key component of the Sustainable Biofuels Obligation given the primary purpose of reducing GHG emissions from liquid transport fuels.
- There are three options proposed to mitigate the risk of ILUC on the environment and food security:
 1. Setting a sinking lid on the maximum number of food-and-feed-based crops that could be used to meet the Obligation;
 2. Excluding the use of biofuels that are produced from feedstocks that have historically resulted in significant ILUC; and
 3. Requiring all biofuels to have certification showing they are considered "low risk" of causing ILUC.
- With these options, GHG emissions reductions will be more credible, but the biofuel market options available to meet the Obligation will become more limited. This is likely to increase the cost impacts of the Obligation on fuel consumers.

s 9(2)(f)(iv)

- The price impact at the pump of these options will depend on the relative price of fossil fuels, the type of biofuels that fuel suppliers choose to supply, and the levels at which they are blended. Ethanol can be blended up to a maximum of 10% and biodiesel can be blended up to a maximum of 7%, while advanced biofuels do not have a 'blend wall'.

¹ Note this option could increase net GHG emissions in comparison to the baseline of only liquid fossil fuels.

- These cost estimates are all subject to a high degree of uncertainty. Impacts to at-the-pump prices will depend on a wide range of factors, including future biofuels prices, the cost of new blending and storage infrastructure, the future cost of liquid fossil fuels, demand for liquid fuels, and the NZ ETS price.

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Annex 2: Back pocket QAs on the Sustainable Biofuel Obligation

Will the Obligation impact fuel prices at the pump?

- There may be a small impact on the price at the pump for fuels that are blended with biofuels. Biofuel blends are generally more expensive than their fossil fuel equivalents at present.
- As biofuels will remain a small part of the overall fuel supply over the coming decade, the Obligation will only account for a small portion of total fuel costs.
- Initial analysis by officials suggests that:
 - Average petrol-ethanol blend prices could be up to 5 cents per litre higher than their fossil fuel equivalents by 2025.
 - Average diesel-biodiesel blend prices could be up to 10 cents per litre higher than their fossil fuel equivalents by 2025.
- However, these cost-per-litre estimates are subject to a high degree of uncertainty. The magnitude of the cost impact will depend on how and where in the transport sector fuel suppliers choose to deploy biofuels, as well as the relative future price of fossil fuels and biofuels, demand for liquid fuels, and the governing NZ ETS price.
- The Sustainable Biofuels Obligation is just one tool we're using to help decarbonise transport. Other measures that the Government has taken, such as the Clean Vehicle Discount scheme, permanent public transport fare reductions for community card holders, and the Clean Car Upgrade scheme, can help to mitigate the impact of higher fuel prices by increasing the availability and affordability of low-emissions transport alternatives.

Where will the biofuels come from once the Obligation is in effect?

- Current domestic biofuel production capacity is very small. Most of the biofuels used to meet the Obligation in the first few years of operation will therefore come from overseas, particularly biodiesel and more advanced drop-in biofuels.
- In the medium- to long-term, there is scope for more biofuels to come from domestic production. The Obligation will provide the foundation for the necessary market conditions for a domestic production industry to develop.

Domestic production of biofuels?

- The Obligation will create a stable platform for a domestic biofuels industry to develop. However, officials have advised that the obligation alone is unlikely to incentivise domestic production in the short term. Further incentives may be needed, such as credits or grants to biofuels producers, to help offset the high upfront capital expenditure and operating costs associated with large-scale biofuels production facilities.
- In 2020, Z mothballed its biodiesel plant Wiri, stating it was uneconomic due to feedstock prices being bid up by international biofuel and sustainable aviation companies. Wiri has the capacity to produce up to 20 million litres of biodiesel from tallow every year when in production.

- The Wood Fibre Futures Project (WFF) has provided valuable insights on the commercial feasibility of advanced biofuels production from woody biomass in New Zealand. While it showed that such plants are not yet commercially feasible, they are achievable with the right government support, through co-location with sawmills, or if advanced biofuels can earn a price premium on the market. The report recommended that New Zealand would be better waiting 3 to 5 years to allow first movers to prove the technology commercially.

What impact will the Obligation have on the economy?

- The modelling results indicate that the Obligation could come at an economic cost, and this is most significant in the early 2030s when the reduction targets reach their highest level. Increased domestic production of biofuels could help to offset this impact.
- There are significant uncertainties in the economic modelling assumptions about a range of factors, such as future energy and carbon costs, and technological advancement. We expect that the economics of the energy and transport sectors will transform in the coming decade as global efforts to decarbonise ramp up.
- As shown by the Climate Change Commission, all demonstrated pathways to achieving our climate commitments require a rapid decarbonisation of the transport sector, and the Obligation will support this. The cost of not doing anything, however, is too great to ignore.

Do biofuels cause engine damage?

- Biofuels are blended with conventional fuels in a way that will be safe for consumers to use. Fuel wholesalers will remain responsible for the safe supply of quality fuels for public use. There will be clear labelling and all fuel regulations will continue to be met.
- Under the Engine Fuel Specifications Regulations 2011, bioethanol blend is limited to 10 per cent, and biodiesel blend to 7 per cent.
- Conventional biofuels need to be blended, as there is a risk of engine damage when they are used in pure form, or at high blend level.
- The advantage of drop-in biofuels is that they are chemically identical to fossil fuels and do not need to be blended with fossil fuels before use in conventional vehicles.
- The Engine Fuel Specifications Regulations currently do not provide for these drop-in biofuels and will be reviewed before they are introduced to the New Zealand market.

Has the Ukrainian crisis changed how the Government is thinking about biofuels? Will this change the economics of biofuels?

- Biofuels, like fossil fuels, have been experiencing significant price volatility as international fuel markets react to the evolving situation in Europe and to global supply constraints.

- The costs of biofuels blending, storage and distribution infrastructure are likely to have increased in line with general inflation.
- Ukraine and Russia are major exporters of wheat, sunflower seeds and oil, barley and other cereal grains. The impact of the Russian invasion of Ukraine is expected to have a prolonged impact on the global food market, and in turn global food security.
- The options canvassed in the discussion document to address food security concerns and land use change impacts of biofuels production can mitigate the risk that the Obligation heightens pressure on global food security.

What types of biofuels do not impact food security?

- Biofuels production can support local agricultural production when risks concerning indirect land use change and food security are adequately managed.
- Increased revenue from biofuels production can enable food producers to maintain and invest in their operations. Increased crop yields can be driven by efficiency improvements on farm, enabling more to be produced using the same inputs, and crop yields that are additional to food and feed demand can be sustainably used as feedstocks for biofuels.
- Feedstocks derived from waste, residues, co-products, or bioresources that do not exacerbate competition for land will avoid both the risk of impacting food security and indirect land use change.
- Advanced biofuels (non food based biofuels such as cellulosic ethanol) provide a solution to the challenge of food security that must be considered when using biofuels derived from food crops.
- As the global demand for biofuels increases in the coming decade, it will become increasingly important that this demand is from advanced biofuels, and not those derived from crops that would otherwise be bound for food and feed markets.

24 May 2022

OC220420

Hon Michael Wood
Minister of Transport**MEETING WITH VERTUS ENERGY - 26 MAY 2022****Snapshot**

Support your on-site meeting with Vertus Energy co-founders, who have requested to meet with you to demonstrate Vertus Energy's work on renewable fuels and energy production and potential for contribution to New Zealand's wider transport decarbonisation objectives.

Time and date	10.30am – 11.30am, 26 May 2022
Venue	Outset Ventures Building - 40 Kenwyn St., Parnell, Auckland
Attendees	Santiago de los Reyes, Vertus Energy Co-founder Danilo Perez, Vertus Energy Co-founder Benjamin Howard, Vertus Energy Co-founder Freddy Gonzalez, Vertus Energy Co-founder Imche Foulie, CEO, Outset Ventures
Officials attending	N/A

Contacts

Name	Telephone	First contact
Ewan Delany, Manager, Environment, Emissions & Adaptation	s 9(2)(a)	✓
HanLing Petredean, Senior Advisor, Environment, Emissions & Adaptation		

Meeting with Vertus Energy - 26 May 2022

Key points

- Vertus Energy is an Auckland-based biotechnology start-up specialising in renewable energy and fuels research and development. You have previously met with Vertus Energy prior to the COVID-19 pandemic to discuss its developing innovation and technology for waste minimisation and biofuels generation.
- Vertus Energy has requested to meet with you to provide an on-site tour of its facilities and provide you with a progress update on its waste minimisation and biofuels generation technology. Its four co-founders are also interested in discussing how Vertus Energy aligns with, and can contribute to, New Zealand's wider objectives around transport fuel efficiency and emissions reductions.
- Vertus Energy's developments in biofuels production technology and process signal its interests in domestic biofuels production. In 2021, Vertus Energy received \$1.2 million in a pre-seed funding round¹ to expand its green fuel production technology, including funding for a biofuels demonstration plant field pilot in South Auckland.
- In addition to details of the wider transport decarbonisation pathway and supporting policies set out under the Emissions Reduction Plan (ERP), Vertus Energy will likely be most interested in the Government's progress on the Sustainable Biofuels Obligation.
- As you are aware, in November 2021, Cabinet agreed to the final policy design for the Sustainable Biofuels Obligation (the Obligation). The Obligation will come into effect from 1 April 2023. It will require importers and domestic producers of liquid transport fuels to reduce the greenhouse gas (GHG) emissions intensity of their fuel supply by a set percentage each year through the deployment of biofuels.
- Under the Obligation, fuel suppliers will have the flexibility to deploy any type of biofuel in any location in New Zealand, subject to their meeting set sustainability criteria. Presently, the Obligation will only apply to liquid transport fuels.
- We seek insight into the scope and future planning for Vertus Energy's biofuels-related endeavours. Its BRIO technology looks to be presently focused on waste-to-biogas; biogas is presently out of scope under the Obligation². However, it is worth noting that the Obligation will be reviewed after two years of operation. This will include consideration of whether to expand the Obligation's scope to include other forms of low-emissions fuels, such as biogas or green hydrogen.
- The Obligation will create a stable platform for a domestic biofuels industry to develop. However, officials have advised that the obligation alone is unlikely to incentivise domestic production in the short term. Further incentives may be needed, such as credits

¹ This funding round was led by Icehouse Ventures, with support from Outset Ventures (whose building houses Vertus Energy's Parnell-based laboratory and facilities), Startmate, and NOAB ventures.

² Unlike liquid transport biofuels, biogas cannot be blended with liquid transport fossil fuels or "dropped-in" for use in most internal combustion engine (ICE) vehicles without modification.

or grants to biofuels producers, to help offset the high upfront capital expenditure and operating costs associated with large-scale biofuels production facilities.

- We seek to understand whether and, if so, how Vertus Energy is considering future scale-up of its current biofuels production technology.

Suggested talking points and questions

- As you will be aware, the Government is committed to exploring alternative fuels for transport sector decarbonisation. We are encouraged to know that Vertus Energy has made significant strides in innovation to support our shift to lower-emissions fuel and energy alternatives.
- The Government's recently released Emissions Reduction Plan sets out our wider transport decarbonisation pathways, as well as emissions reduction targets in four critical areas. Our fourth target, achieving a 10 percent reduction in transport fuel efficiency by 2035, is one where I see Vertus Energy playing a key enabling role.
- *Where/what do you see as the opportunities for Vertus Energy to contribute to New Zealand's wider transport decarbonisation objectives? In particular, where do you see biogas playing a role in our low-emissions economy?*
- You may also be aware that the Government has agreed to implement a Sustainable Biofuels Obligation (the Obligation), which will come into effect from 1 April 2023. The Obligation will require importers and domestic producers of liquid transport fuels to reduce the greenhouse gas (GHG) emissions intensity of their fuel supply by a set percentage each year through the deployment of biofuels.
- The Obligation will only apply to liquid transport fossil fuels and biofuels. However, there is opportunity for the Obligation's scope to be expanded to include other low-emissions transport fuels upon review after two years of operation. I am therefore interested in understanding the nature of Vertus Energy's present and future planning around domestic biofuels production. *Do you consider this will be expanded to include other forms of biofuels or low-emissions transport fuel options in future?*
- *Are there any key areas where you consider further Government support is needed to support your current (and future) biofuels research and production ambitions in New Zealand?*

**EVENT BRIEFING**

25 May 2022

OC220425

Hon Michael Wood
Minister of Transport

OFFICIAL LAUNCH OF THE SUSTAINABLE CAR LEASING PROGRAMME

Snapshot

You have been invited to give a speech at the launch of the Sustainable Car Leasing programme, hosted by the Ākina Foundation, to officially hand over the first cars to the whānau participating in the programme. This briefing provides information to support that event and alert you to a risk around the launch.

Time and date	9am – 10am, 26 May 2022
Venue	31 Calthorp Close, Favona at the Nga Whare Waatea Marae Māngere, Auckland
Host	The Ākina Foundation
Speaking notes	Yes. Refer to Annex 1.

Contacts

Name	Telephone	First contact
Ewan Delany, Manager, Environment, Emissions & Adaptation	s 9(2)(a)	✓
Ella Sparrow, Adviser, Environment, Emissions & Adaptation	s 9(2)(a)	

OFFICIAL LAUNCH OF THE SUSTAINABLE CAR LEASING PROGRAMME

Programme overview

- 1 The Sustainable Car Leasing Programme (the Programme) is a collaborative pilot scheme between the non-profit, philanthropic and commercial sectors responding to transport-related costs, including vehicle-related debt. Such costs are a significant driver of financial hardship for lower socioeconomic households.
- 2 Participating families are provided with either a hybrid or electric vehicle (EV) suitable to their needs; families pay a weekly fee for this service. The Programme is modelled on a lease agreement. Participants do not own the car, but maintenance, basic repairs and insurance costs are bundled into their weekly payment.
- 3 The goal of the Programme is to increase the financial resilience of families through the reduction of financial pressures and high interest debt, increase the safety rating of cars on the road, and decrease greenhouse gas emissions from vehicles.
- 4 The Programme and official launch was originally scheduled for June 2021. However, ongoing Covid-19 lockdowns in Auckland and alert level changes resulted in repeated delays. This scheme has informed the shape of the Budget 22 social leasing initiative.

Programme delivery agencies

- 5 Ākina is Aotearoa New Zealand's leading impact development organisation. It works to create a world where positive social and environmental outcomes are at the heart of business. Ākina's primary role is to support the Programme's partners in working together and to identify opportunities for project development in each cycle of the pilot.
- 6 The Manukau Urban Māori Authority (MUMA) is the operational face of the Programme for the community. For over 30 years, MUMA has been leading the movement in forging and shaping the rights of Māori in urban settings. MUMA runs Building Financial Capability services and administers the Whānau Ora financial grants programme, Whānau Direct.

We have provided you with speaking points outlining the Programme's positive social, economic and environmental impacts

- 7 The speaking points provided outline the benefits of partnership and social enterprise in enabling a Just Transition towards better quality and lower-emissions vehicles.

s 9(2)(g)(i)

s 9(2)(g)(i)

s 9(2)(g)(i)

- 8 The Programme model requires a strong collaborative relationship between business leaders, community and government in order to create a pilot that has the potential to transition to a self-sustaining model over time.
- 9 Since the initial proposal and delayed Programme rollout, there has been a general decline in the social and financial wellbeing of the target participants in the Manukau area. Covid-19 impacts and the recent cost of living increases mean that access to reliable transport, as provided through this Programme, is a lower priority than meeting more immediate costs, namely housing and food.

s 9(2)(ba)(i), s 9(2)(g)(i)

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Annex 1: Speaking Notes

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- Tēna koutou, tēna koutou, tēna koutou katoa -
- Thank you for your introduction.
- It is a real privilege to be invited to the launch of this new social leasing scheme developed by the Ākina Foundation.
- This initiative is exciting on a lot of different levels.
- It will help make a real difference to all the families involved by lowering their daily transport costs and lifting their standard of living in a time when there are many pressures on family budgets.
- At the same time it will help us meet our transport decarbonisation goals. It is a good example of what an equitable transition is all about.

[Climate change and transport]

- This Government recognises that climate change is one of the biggest threats we face.
- Land transport accounts for almost half of all of our national carbon dioxide emissions.
- At the same time there are a lot of opportunities in transport to reduce greenhouse gas emissions - but the longer we delay action, the more difficult it gets.
- It's time to act while there is still time: for our children, and our grandchildren, and ourselves. We are already bearing the brunt of years of inaction.
- This is why Parliament declared a Climate Change Emergency in December and why this Government has prioritised action to mitigate climate change by taking meaningful action to reduce transport emissions.

[What the government is doing]

- We have launched the Clean Vehicle Discount, which incentivises the uptake of electric vehicles, and makes them more accessible to a wider range of New Zealanders.
- The Clean Vehicle Standard will complement the Discount, by setting an emissions target that suppliers have to meet across the vehicles they import, helping to provide Kiwis with more climate-friendly cars. This will commence in January 2023.

[CERF – Budget 2022]

- Alongside the Emissions Reduction Plan launch, last week, we announced \$1.2 billion of investment into the transport sector as part of the Climate Emergency Response Fund package.

- This package of funding will support some of the transport commitments in the ERP and signifies a huge step in making sure people have clean, green, affordable ways of getting about.
- The Clean Vehicle Discount Scheme has been successful in supporting the uptake of low emissions vehicles. However, we know for many families, the cost of transitioning to cleaner vehicles can be too expensive.
- Starting with an initial trial of up to 2,500 vehicles, the Clean Car Upgrade will provide targeted assistance to lower- and middle- income households to shift to low-emission alternatives in exchange for scrapping their old vehicle.
- Families who trade in their vehicle will receive support for the purchase of low emission vehicles or alternative modes of transport, such as an e-bike. By taking advantage of the Clean Car Upgrade, families will benefit from lower transport costs and will also be able to replace their high-emitting older vehicles with a safe and sustainable alternative.
- We have also announced a trial social leasing scheme, that will support low-income families to lease a safe, low-emission vehicle from a community organisation. We hope that the partnership being launched here today will demonstrate how we can successfully extend this concept to other communities.
- There is other support for Kiwis to make cleaner transport choices. Additional funding towards transport services and infrastructure investments will reduce reliance on cars and support uptake of active and shared modes.
- Investment will include rapidly rolling out urban cycleway networks, creating walkable neighbourhoods, supporting safer, greener, and healthier school travel, and making public transport more accessible and easier to use.

[Other]

- We have also previously announced the Sustainable Biofuels Obligation. From 1 April 2023, fuel wholesalers will be required to cut the total greenhouse gas emissions for transport fuels they sell by a set percentage each year, by deploying biofuels as a part of their fuel supply.
- The Sustainable Biofuels Obligation will prevent around one million tonnes of emissions from cars, trucks, trains and ships over the next three years and up to 10 million tonnes by 2035 to help us meet our climate commitments.
- Through the Auckland Transport Alignment Project, we are investing \$32.5 billion to ensure Auckland has a transport system that encourages more people to use public transport, alongside walking and cycling.
- The Government has also committed to decarbonising the public transport bus fleet by 2035. This could prevent up to 4.5 million tonnes of carbon emissions by 2050, and will help make our inner cities more liveable by reducing noise and pollutants.

- Having said all this, we recognise that there is much more to be done, including to ensure everyone benefits from this important transition
- Transport decarbonisation will stall unless low income New Zealanders can buy cleaner vehicles, or have good access to clean, convenient and affordable transport - including through EV car-share services.

[What the organisers are doing]

- It is so exciting to see the Ākina Foundation and Manukau Urban Māori Authority weaving together social enterprise, Māori leadership, businesses, philanthropy and the government in this initiative.
- It's exactly the kind of bold, caring leadership and innovation we need.
- The difference saving even \$100 a week on motoring costs through the scheme means the world to these families.
- It means that money can be better directed – to better food, or to doctor's visits.
- It also means financial freedom from high-interest loans that often accompany vehicle sales.
- Our transport system is not just about getting people or products from A to B.
- It shapes the quality and character of the places where we live, and how we experience life on a daily basis – including our opportunities to access employment, healthcare, and entertainment.
- Healthy and safe people, economic prosperity and environmental sustainability are all core transport outcomes for this Government.
- The lessons learned from this scheme will not only contribute to decreasing the carbon emissions from our light vehicle fleet, but will lead on to important co-benefits.
- These include improved safety ratings for vehicles on the road, and increasing the financial resilience of the families who benefit from this scheme, through reduction of transport related financial pressures, and high interest debt.
- To see innovation like we have here today is all the more motivating and encouraging, and that's why I'm so pleased to be at this launch today!
- Congratulations on the launch of this sustainable car leasing scheme, and thank you for your mahi to date and the mahi ahead in our collective challenge to reduce transport emissions.
- Tēnā koutou, tēnā koutou, tēnā koutou katoa.

20 May 2022

BRIEFING

OC220333

Hon Michael Wood
Minister of Transport

Action required by:
Wednesday, 25 May 2022

Update on the Office of the Auditor General's revised draft report on City Rail Link governance


Key points

- The revised draft report from the Office of the Auditor General (OAG) has been received (see **Attachment 1**) and we have until 27 May 2022 to provide comments on it.
- The Ministry and Treasury's previous feedback on the preliminary audit results and the previous draft report has largely been reflected in the revised draft report. Overall, we think this draft report is fair and balanced, and that the recommendations are relevant, reasonable, and practical.
- There are some points of feedback that the Ministry will provide to OAG, including some updated information, reiteration of feedback previously provided, and clarification of wording to ensure the findings are as clear as possible for Parliament and the public.
- While you provided responses to OAG regarding the preliminary audit findings and the previous draft report, we do not believe a response is needed from you on this revised draft. If you wish to make additional comments and provide a response to OAG, please let us know and we will draft a letter accordingly.
- We will work with your office as we draw closer to the release of the final report. OAG has advised that it aims to publish the final report by 30 June 2022, but no date is yet set.

Recommendations

We recommend you:

- | | | |
|---|---|----------|
| 1 | note the revised draft report from OAG (see Attachment 1) | Yes / No |
| 2 | advise if you have any additional comments you wish to provide to OAG | Yes / No |



Fleur D'Souza
**Manager, Programme Assurance
 and Commercial, Ministry of
 Transport**

20, May 2022
 / /

Hon Michael Wood
Minister of Transport

..... / /

Minister's office to complete:

- | | |
|--|---|
| <input type="checkbox"/> Approved | <input type="checkbox"/> Declined |
| <input type="checkbox"/> Seen by Minister | <input type="checkbox"/> Not seen by Minister |
| <input type="checkbox"/> Overtaken by events | |

Comments:**Contacts**

Name	Telephone	First contact
Sarah Allen, Principal Adviser, Programme Assurance and Commercial, Ministry of Transport	s 9(2)(a)	✓
Fleur D'Souza, Manager, Programme Assurance and Commercial, Ministry of Transport		

UPDATE ON THE OFFICE OF THE AUDITOR GENERAL'S REVISED DRAFT REPORT ON CITY RAIL LINK GOVERNANCE

The remainder of this page, and the following two pages (which have been removed) are withheld under Section 9(2)(ba)(ii)

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Risks

- 20 We do not foresee significant risks associated with the publishing of this report.
- 21 We accept that further governance refinements are needed to ensure that the project is successfully completed, and the City Rail Link delivers the intended benefits. We accept the findings and are well on our way to implementing them all (some have already been implemented).
- 22 We will prepare communications ahead of the publishing of the final report and be in touch with your office on this.

Next steps

- 23 OAG has asked for all written comments to be provided by 27 May 2022. We will send a letter with our key points as outlined above to OAG by that date.
- 24 If you have any additional feedback to provide to OAG, the Ministry will work with your office to provide a letter for your consideration.
- 25 We will work with your office as we draw closer to the release of the final report. OAG has advised that it aims to publish the final report by 30 June 2022, but no date is yet set.

20 May 2022

OC220321

Hon Michael Wood

Action required by:

Minister of Transport

Friday, 3 June 2022

KIWIRAIL DELEGATION LETTER FOR THE ASHBURTON FAIRFIELD FREIGHT HUB PROJECT

Purpose

This briefing seeks your approval and signature on the attached KiwiRail Delegation Letter for the rail siding infrastructure component of the Ashburton Fairfield Freight Hub project (the Project).

Key points

- The Ashburton Fairfield Freight Hub is a joint project between KiwiRail, the Ashburton District Council, and a private freight operator the Wareing Group. The objective of this Project is to relocate the freight hub from the centre of Ashburton to the industrial area at Fairton, about five kilometres north of Ashburton town centre. This relocation triples the rail freight capacity in the region from 6,000 containers to 20,000 containers per year.
- In March 2022, you and the Minister of Finance (as Joint Ministers) approved \$2.500 million for KiwiRail to address a shortfall in the rail siding infrastructure component (rail component) of this Project. The total cost of the rail component is s 9(2)(b)(ii) Funding for the Project is from reprioritisation of the funding set aside for the cancelled Northern Pathway project in the New Zealand Upgrade Programme (NZUP) and has been drawn down from the *New Zealand Upgrade Transport Projects – Tagged Capital Contingency* [OC220102 refers].
- As a condition to draw down these funds, Joint Ministers also agreed that a specific Delegation Letter would be provided to the KiwiRail Board for the rail component. The attached letter sets your expectations regarding the oversight and monitoring, reporting and escalation thresholds relating to the rail component of this Project. It is also in line with the Delegation Letter you sent to the KiwiRail Board on 24 September 2021 regarding your expectations about several other NZUP projects and the Programme Working Arrangements and Processes document (as agreed by the Programme Working Group on 22 December 2021).
- We have consulted with KiwiRail and the Treasury, whilst developing this Delegation Letter.

Recommendations

We recommend you:

- | | | |
|---|---|----------|
| 1 | sign the attached Delegation Letter | Yes / No |
| 2 | refer this briefing and attached Delegation Letter for the rail component to the Minister of Finance for his records | Yes / No |



Fleur D'Souza
Manager, Programme Assurance and Commercial

..20 / May / 2022

Hon Michael Wood
Minister of Transport

..... / /

Minister's office to complete:

☐ Approved

☐ Declined

☐ Seen by Minister

☐ Not seen by Minister

☐ Overtaken by events

Comments

Contacts

Name	Telephone	First contact
Prince Siddharth, Senior Advisor, Programme Assurance and Commercial	s 9(2)(a)	✓
Fleur D'Souza, Manager, Programme Assurance and Commercial		

Hon Michael Wood

Minister of Transport
Minister for Workplace Relations and Safety



David McLean
Chair
KiwiRail
PO Box 593
WELLINGTON 6140

Dear David

Thank you for your company's cooperative work with Waka Kotahi NZ Transport Agency, the Ministry of Transport (the Ministry) and the Treasury to provide me with advice on the ongoing delivery of the New Zealand Upgrade Programme (the Programme). KiwiRail has continued to make a great deal of progress in bringing the Programme to life.

This letter sets out that the Minister of Finance and I (as Joint Ministers) agree to delegate decision making to the KiwiRail Board to manage Crown funding of \$2.500 million for the rail siding infrastructure component (rail component) of the Ashburton Fairfield Freight Hub project ('the Project'), which has a total cost of s 9(2)(b)(ii). The rail component of the Project has been included as part of the Programme.

This delegation aims to provide the KiwiRail Board with flexibility to utilise existing capabilities to deliver the rail component, while recognising the Crown's role as a funder and the reporting requirements that apply. Joint Ministers may review, amend or revoke the delegations and conditions at any time. For the absence of doubt, the Crown remains the funder and owner of the Programme and any change to delegations will not change the Crown's responsibility to reimburse KiwiRail for project spend and commitments reasonably incurred.

My expectations set out in this letter are drawn from and align with the information agreed in the advice provided by the Ministry of Transport [reference OC220102].

Regarding overall project accountability, I acknowledge that:

- the Project is ultimately the responsibility of the Wareing Group who will fund, own and operate their freight assets as reflected by the major proportion of the overall investment by, and commercial risk vested with, the Wareing Group
- Ashburton District Council is a funder and lender to the Wareing Group
- the Crown, KiwiRail (through its own funds) and the Wareing Group will all contribute to the cost of the rail component.

For avoidance of any doubt, any relevant reporting requirements apply to just the rail component. Delivery of the Wareing Group's freight assets is not the responsibility of the Crown or of KiwiRail.

As with my expectations of the KiwiRail Board for those Programme projects mentioned in my Delegation Letter on 24 September 2021 to you, I continue to place a high level of reliance on KiwiRail's internal monitoring and assurance processes to escalate risk and issues to me on

the rail siding infrastructure component of this project. Therefore, I continue to hold the KiwiRail Board directly accountable to provide comprehensive assurance and a high level of accountability and transparency to me on the Programme. I appreciate that KiwiRail has already included the rail component as part of your regular reporting on the Programme.

Annex 1 contains my Delegation Letter sent to you on 24 September 2021 for your reference ('previous Delegation Letter').

The rail component of the Project has been categorised as a lower risk project. You are expected to provide a Baseline Report for the rail component to officials. Table 1 below provides a summary of the rail component.

Table 1 – Rail component summary

Risk category	Lower
Baseline document	Baseline Report
Baseline document due date to officials	30 June 2022
Total rail component cost (\$m)	s 9(2)(b)(ii)
KiwiRail funding contribution (\$m)	
Rail – KiwiRail Holdings Limited appropriation (\$m)	2.500
Total approved funding (\$m)	2.500

In your reply to this letter, please confirm that you are able to provide me with the baseline report for the rail component by the date shown in Table 1 or otherwise advise of the appropriate date.

Oversight and monitoring

The Ministry and Treasury will monitor the rail component of the Project in line with other KiwiRail projects in the Programme. The Treasury will continue to monitor KiwiRail's commercial performance, such as the ongoing revenue benefits of an uplift in container capacity. However, these agencies are not accountable for Programme assurance, or identification of project risks. Instead, the Ministry will undertake its standard role to Vote Transport accountability, with an additional ability to review reporting and escalate as appropriate.

The oversight and monitoring arrangements mentioned in my previous Delegation Letter apply to the rail component as well. I expect these arrangements to be exercised proportionately given the rail component forms a low value and low risk part of the Programme.

Reporting

I expect you to report on the rail component of the Project as part of your monthly Programme reporting, which includes the scope, cost and schedule for the rail component.

The reporting requirements mentioned in my previous Delegation Letter apply to the rail component as well.

Baseline Report

Keeping in line with requirements for other projects in the Programme, our officials are to be provided with a Baseline Report for the rail component of the Project. The Baseline Report

requirements as mentioned in my previous Delegation Letter apply to the rail component as well.

For the avoidance of doubt, the Baseline Report will not require approval by Joint Ministers given that the rail component is a lower risk project, for which responsibility sits with KiwiRail.

Escalation thresholds

The escalation thresholds for the rail component of the Project mentioned in Table 2 below will be determined in the Baseline Report. When thresholds are triggered, I expect you to notify Joint Ministers through a written briefing of risks to cost, schedule and scope. Where a scope change occurs and is close to, but does not trigger the threshold, I remind you that this should be reported through to Joint Ministers as part of your general monthly reporting.

Table 2 – Escalation Thresholds (to be determined in the Baseline Report)

Escalation threshold component	Escalation threshold trigger
Scope	Any change to outputs, as defined in the Baseline Report, that significantly impacts the Project benefits and outcomes
Cost	Not applicable since there is a fixed level of contribution.
Schedule	Since the main construction contract for the Project has not yet been awarded: <ul style="list-style-type: none">- Construction start is delayed by 6 months- Construction end is delayed by 6 months

The escalation process defined in my previous Delegation Letter continues to apply. I recognise that the Project, unlike others in the Programme, is predominantly funded on a commercial basis by the Wareing Group and KiwiRail. For the avoidance of doubt, an escalation will inform Joint Ministers of the impact but is not expected to result in the Project's contribution being more or less than \$2,500 million.

Access to contingency

Crown funding of \$2,500 million for the rail component of the Project is appropriated through the Rail – KiwiRail Holdings Limited appropriation (refer Table 1).

s 9(2)(f)(iv)

As such the \$2,500 million will be provided as a single lump-sum payment at the beginning of the rail component construction.

Drawdown arrangements

The arrangements for drawdown of Crown funding for KiwiRail projects is dependent on the provision of forecasted cashflows and agreed supporting information from the KiwiRail Board. The drawdown of Crown funding for the rail component of the Project will follow existing arrangements for share subscription and release of equity funding between KiwiRail and the Treasury.

I expect you to follow the drawdown request guidelines mentioned in my previous Delegation Letter.

In closing, please convey our thanks to the Board and staff members for their ongoing hard work on the Programme. I look forward to your favourable response.

Yours sincerely

Hon Michael Wood
Minister of Transport

Copy: Hon Grant Robertson
Minister of Finance

David Gordon
Acting Chief Executive, KiwiRail

Bryn Gandy
Acting Chief Executive, Ministry of Transport

RELEASED UNDER THE
OFFICIAL INFORMATION ACT 1982

ANNEX 1: KIWIRAIL DELEGATION LETTER SENT ON 24 SEPTEMBER 2021

Refused under Section 18(d). The document is available online at:
www.transport.govt.nz/assets/Uploads/KiwiRail-Delegation-Letter-Hon-Michael-Wood_for-release.pdf

RELEASED UNDER THE
OFFICIAL INFORMATION ACT 1982



11 May 2022

OC220375

Hon Michael Wood

Action required by:

Minister of Transport

Monday, 16 May 2022

ESTIMATES EXAMINATION 2022/23 STANDARD QUESTIONS DRAFT RESPONSES

Purpose

To provide you with draft responses to the questions you received from the Finance and Expenditure Committee.

Key points

- Draft responses are attached for the questions you received from the Finance and Expenditure Committee.
- Please review the responses and provide feedback to the Ministry if changes are needed.
- The Ministry will work with your office to make any amendments.
- Once you are satisfied with the responses, please sign the attached letter and send, along with the responses, to the Finance and Expenditure Committee.

Recommendations

1 We recommend you:

- (a) **provide feedback**, if any, on the draft responses to the standard Estimates questionnaire by Monday 16 May 2022 Yes / No
- (b) **sign** the attached letter to the Finance and Expenditure Committee and submit the responses after Budget 2022 is delivered on Thursday 19 May 2022, but before 1pm on Friday 20 May 2022 Yes / No
- (c) **note** that we will provide you with support material for the hearing Yes / No
- (d) **note** that we would like to discuss attendance at the hearing by transport officials Yes / No



Robyn Smith
DCE Corporate Services
11 / 05 / 2022

Hon Michael Wood
Minister of Transport
..... / /

Minister's office to complete:

☐ Approved

☐ Declined

☐ Seen by Minister

☐ Not seen by Minister

☐ Overtaken by events

Comments

Contacts

Name	Telephone	First contact
Hilary Penman, Manager, Ministerial Services	s 9(2)(a)	
Prashila Dayal, Senior Advisor, Corporate Accountability		✓

ESTIMATES EXAMINATION 2022/23 STANDARD QUESTIONS DRAFT RESPONSES

This briefing provides you with draft responses to select committee questions and explains how we will support you through the hearing process

1. Each year, select committees ask ministers a series of questions on the Estimates of Appropriation for the votes they are responsible for and invite them to attend a hearing. You received the standard questions for Vote Transport on 11 April 2022.
2. Your response is due to the Finance and Expenditure Committee after Budget 2022 is delivered on Thursday 19 May 2022, but before 1pm on Friday 20 May 2021.
3. The draft responses to the questions are attached to this briefing (attachment 1). We have also prepared a draft cover letter (attachment 2) for you to send in electronic form to the Chair of the Finance and Expenditure Select Committee at SEQ@parliament.govt.nz

Written questionnaires

4. The standard Estimates questionnaire is the first set of questions for the 2022/23 Estimates process.
5. Your office has also received 163 supplementary questions from the Transport and Infrastructure Committee. The Ministry and the transport Crown agencies have started work on responses, and we plan to have them to you for review on 25 May 2022.
6. You are also likely to receive around 10 post-hearing questions based on the discussion at the hearing.

We have approached the response to standard questions in the same way as previous years

7. The standard questions are substantially the same as previous years and they have generally been answered in the same way.
8. We have provided information from Crown entities in cases where the question asks for information about entities funded under Vote Transport. This includes City Rail Link Limited (CRL).
9. In question one (page 2) of the attached draft response, we explain that KiwiRail and MetService, although funded under Vote Transport, are the responsibility of the Minister for State-Owned Enterprises and we do not include them in this response.

10. Please review the responses and provide feedback to the Ministry if changes are needed. The Ministry will work with your office to make any amendments.

Hearing before the Transport and Infrastructure Committee

11. We have been advised that the estimates hearing for Vote Transport is tentatively scheduled for 9.30 am to 10.30 am on 9 June 2022.
12. The Ministry will provide you with a briefing pack to support your attendance. The pack will contain speech notes for your opening comments, information on the Committee members, and up-to-date information (including some possible questions and answers) on topics we believe the Committee may want to question you about.
13. We would like to discuss attendance at the meeting, including which transport officials you would like to be there. We would also like to discuss what other support you require.

Note: the actual questions and responses are refused under Section 18(d) and can be accessed online here: https://www.parliament.nz/resource/en-NZ/53SCTI_EVL_123937_TI2712771b2aee45846735021711342e61418930fd5420

Hon Michael Wood

Minister of Transport
Minister for Workplace Relations and Safety



20 May 2022

Dr Duncan Webb
Chairperson
Finance and Expenditure Committee
SEQ@parliament.govt.nz

Dear Dr Webb

Response to the Standard Questions to the Estimates for Vote Transport 2022/23

I refer to your email of 11 April 2022 seeking a response to standard questions in relation to the Estimates for Vote Transport 2022/23. As requested, I have emailed my response to the Committee secretariat for this to be provided to the Committee.

The departmental liaison officer for Committee staff to contact is Prashila Dayal, Senior Advisor Corporate Accountability, phone s 9(2)(a) or email: P.Dayal@transport.govt.nz.

Yours sincerely

Hon Michael Wood
Minister of Transport

25 May 2022

OC220427

Hon Michael Wood**Action required by:****Minister of Transport**

Monday, 30 May 2022

ESTIMATES EXAMINATION 2022/23 SUPPLEMENTARY QUESTIONNAIRE DRAFT RESPONSE

Purpose

To provide you with draft responses to the supplementary Estimates questionnaire you received from the Transport and Infrastructure Committee

Key points

- The Ministry has previously provided you with responses to the standard Estimates questions.
- Draft responses are now attached for supplementary questions 1 - 172 you received from the Transport and Infrastructure Committee.
- Please review the responses and provide feedback to the Ministry if changes are needed.
- The Ministry will work with your Office to make any amendments in response to your feedback. We will also finalise the formatting of the response once we have your feedback and make any other minor amendments, if required.
- Once you are satisfied with the responses, please sign the attached letter and send it, along with the responses, to the Transport and Infrastructure Committee.

Recommendations

We recommend you:

- 1 **provide feedback**, if any, on the draft responses to the supplementary Estimates questionnaire by 1 June 2021 Yes / No
- 2 **sign** the attached letter to the Transport and Infrastructure Committee and submit the responses by 3 June 2021. Yes / No

Robyn Smith
Deputy Chief Executive
25 / 05 / 2022

Hon Michael Wood
Minister of Transport

.... / /

Minister's office to complete:

☐ Approved

☐ Declined

☐ Seen by Minister

☐ Not seen by Minister

☐ Overtaken by events

Comments

Contacts

Name	Telephone	First contact
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Hilary Penman, Manager, Ministerial Services		✓
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