

The New Zealand emissions trading scheme is part of the government's 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 explains the implications of the emissions trading scheme for the transport sector.

Transport in the emissions trading scheme

Factsheet 18



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Greenhouse gas emissions from transport

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.

Between 1990 and 2006, total transport emissions increased by 5.6 million tonnes carbon dioxide, or 64 percent. If we did not make changes to the ways we travel and transport freight, or to the technologies and fuels we use, transport energy use would grow further. Public transport, biofuels, electric vehicles, rail, cycling and walking, as well as improved vehicle efficiency will all help – as will the emissions trading scheme.

What transport activities does the emissions trading scheme cover?

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

The Climate Change Response Act 2002 sets up a process for the potential inclusion of two sources of fuel that are otherwise excluded from the scheme:

- > fuel used by international cargo carriers on domestic shipping legs when domestic cargo is carried
- > fuel used while fishing in the exclusive economic zone where the fuel was not purchased in New Zealand.

Future inclusion of these activities would ensure that the same emission trading costs are faced by all carriers of domestic cargo and all vessels fishing in New Zealand waters.

When does the transport sector enter the emissions trading scheme?

The transport sector will enter the emissions trading scheme on 1 January 2011. Large users of jet fuel can choose to become participants in the scheme from this date.

To help the sector prepare for the emissions trading scheme, from 1 January 2009, participants will have the opportunity to voluntarily report emissions in the 2009 calendar year by 31 March 2010. From 1 January 2010, participants will be required to file an emissions return for the 2010 calendar year by 31 March 2011. Participants will not be required to purchase emission units to cover emissions for the 2009 or 2010 calendar years. Large users of jet fuel can participate in the early reporting phases if they wish.

How does the transport sector participate in the emissions trading scheme?

The scheme applies 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 that fuel suppliers who take fuel from the refinery or who import it are required to participate in the scheme by purchasing emission units to cover the emissions that result from the fuel they buy – this currently includes BP, Caltex, Gull, Mobil and Shell. Private citizens (such as motorists) will not be directly involved in emissions trading.

Potential impacts of an emissions trading scheme on 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 \$25 per tonne of carbon dioxide equivalent, fuel prices would likely rise by around seven cents per litre.

Will the transport sector receive a free allocation of emission units?

No, the government will not give fuel suppliers free emission units. This is because they can pass on the costs of the scheme to their customers, which means the impact of the scheme on the profits of fuel suppliers will be limited.

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:

- > New Zealand Transport Strategy (NZTS) 2008 sets the direction for the transport sector to 2040 (through setting a vision and targets for transport, such as halving transport sector carbon dioxide emissions by 2040). It outlines the challenges facing the transport sector and maps out pathways (the means that will get us there) to achieve the vision and targets. The NZTS 2008 was released on 5 August 2008.
- > Government Policy Statement (GPS) on Land Transport Funding was released together with the NZTS 2008 and will be issued on a three-yearly basis by the Minister of Transport. The GPS ensures funding and planning for land transport contribute to the strategic objectives set out in the NZTS and it sets out government's high-level priorities and funding allocation for land transport for the next 10 years. Investment in public transport has been increased.
- > The government FuelSaver website provides people with information to compare the fuel consumption of different vehicle models. It enables drivers to calculate vehicle fuel costs by considering their vehicle model, the distance traveled, the kind of fuel that is used, and their driving habits. See: www.fuelsaver.govt.nz

- > EECA's Vehicle Fuel Economy programme that aims to reduce fuel use by encouraging car buyers to choose a car with better fuel economy. From 7 April 2008 all new cars and all cars manufactured since 2000 and imported since 2005 for sale in New Zealand must display information about the vehicle's fuel economy, where that information is available.
- > Biofuels sales obligation of 2.5 percent of liquid fuel sales by 2012: Between 2008 and 2012 the biofuels sales obligation is expected to result in a reduction of approximately one million tonnes of carbon dioxide equivalent emissions.

Some of the proposed transport policies and measures are:

- > Fuel economy standard: A vehicle fleet sales-weighted standard for fuel economy would require a certain average fuel economy for all vehicles sold during a particular period.
- > Driver education: At present trials are being undertaken to evaluate different fuel efficiency training programmes, and to identify a recommended package of new or enhanced initiatives for the New Zealand context, focused on the heavy and light commercial vehicle fleets.
- > Higher heavy vehicle weight limits: Higher limits are being trialed by some operators on selected routes to estimate the costs and benefits. If appropriate, a controlled permit system will be developed to allow heavier vehicles on selected routes by early 2010.
- > Domestic sea freight: New Zealand's domestic sea freight strategy was launched in May 2008 to increase the share of inter-regional freight carried by sea. The Sea Freight Development Unit was established as the focal point to all stakeholders and to revive the local sea freight industry.

Further measures to promote fuel efficiency and lower greenhouse gas emitting transport options are presented in the New Zealand Energy Strategy (www.med.govt.nz) and the New Zealand Energy Efficiency and Conservation Strategy (www.eeca.govt.nz).

Where to go for more information

For more information on the government's climate change work, including more information about the emissions trading scheme, visit www.climatechange.govt.nz or call 0800 CLIMATE (0800 254 628).