

4 September 2017

Dr Amelia Sharman
Principal Advisor
New Zealand Productivity Commission
PO Box 8036
Wellington 6143

Dear Amelia

Low-emissions Economy Issues Paper

Congratulations on producing a high quality issues paper. We are impressed by the level of understanding it demonstrates about the challenging question of how New Zealand can transition to being a lower net-emissions economy.

In this submission, the Ministry would like to comment on the opportunities you have identified to lower transport emissions.

First, we concur with your assessment that electric vehicles (EVs) are by far the greatest emissions abatement opportunity New Zealand has to lower transport emissions. We note that your issues paper invites public responses to two questions related to EVs. Of these, question 9 implies that current policy settings may need to be revisited if we are to achieve a widespread uptake of EVs.

We agree with this implied position. In our view, to support the widespread uptake of EVs the Government's Electric Vehicle Programme will need to be built on. To do this, as you suggest in your issues paper, setting fuel efficiency standards would be one approach to consider.

In terms of the other opportunities, we note that you highlight mode shift from road transport to rail and coastal shipping as a way to lower emissions from freight. Where we possibly differ from the Productivity Commission is the extent to which New Zealand will be able to rely on mode shift to significantly lower emissions from the heavy vehicle fleet.

Mode shift to rail and coastal shipping are important opportunities. However, their potential to mitigate emissions is limited because:

- only part of the freight task is contestable between modes. Much of our freight moves over short distances. This is a movement that is typically only economic for road

freight. As well, some cargo, for example liquid milk, best suits being moved by road. Also, not all locations have access to rail and/or coastal shipping

- even where mode shift is possible, market expectations of “just in time delivery” and cargo owners’ desire for fast and reliable freight movements, reinforce the preference for road freight.

Instead, we suspect that the answer to lowering emissions in long-haul freight will be a combination of:

- mode shift to rail and coastal shipping
- increased efficiencies in road freight, for example, through cargo owners collaborating to reduce under-utilised freight movements and upgrading vehicles to more fuel efficient models
- increased use of biofuels
- adopting new fuel and vehicle technologies as they arise, for example, purchasing electric heavy long-haul trucks if they become available.

I wish you well for the rest of your inquiry and I am looking forward to the release of your draft report in February 2018.

Yours sincerely

Joanna Pohatu
Acting Manager, People and Environment