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Ministry of Transport

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Submission on Draft Government Policy Statement on Land Transport 2024-34

Introduction

1. Energy Resources Aotearoa is New Zealand's peak energy sector advocacy organisation. We provide a strategic sector perspective on energy, environment, transport, and climate change issues. Our purpose is to enable constructive collaboration across the energy sector through and beyond New Zealand's transition to net zero carbon emissions in 2050.
2. This document constitutes our submission on the draft Government Policy Statement on Land Transport 2024 (the GPS).
3. Energy Resources Aotearoa's role is to support the energy and transport sectors through advocacy, collaboration, robust analysis, and the ability to convene those who can make a difference.
4. We work constructively with officials and decision makers on sensible, targeted, and timely policies that help shape the low carbon emissions future of transport and energy. We will do this while retaining a focus on secure supplies of energy for our everyday transport connections which underpin the economy.
5. We support the direction of the GPS. We have focused our comments on *Section 2 – System Reform*.

Submission

Overarching comments

6. Investments in state highways and the re-introduction of the Roads of National Significance (RoNS) programme are examples of good prioritisation of national transport funding.

7. The GPS invites an increase in funding raised through private partnerships, tolling, value capture, and local revenues to top-up revenues from fuel and Road User Charges (RUC). We welcome the increased utilisation of RUC, financing, and revenue tools but caution against premature yielding of Fuel Excise Duty (FED) as a reliable and easy to administrate source of revenue. Engine fuels will be used in our country for many years to come, including newer low-emissions fuels. We note that an increase in FED has been proposed for the next term of Government, at the same time as signalling that FED will be phased out of the land transport revenue system. Even if the FED portion is removed, fuel prices will continue to reflect the costs of delivering the fuel and the price of carbon. These are important factors in new and used vehicle purchases.
8. We also watch with interest the Electric Vehicle (EV) market, which has shown recent signs of difficulty with reports of dealers dumping stock and cancelling orders. The resale market is showing signs of rapid depreciation. We could see a proliferation of second hand EVs that have low resale value and a shift in consumer preference back toward used petrol and diesel vehicles, or hybrid vehicles as these could become more price competitive with used EVs, especially once EVs are included in the RUC system and their running costs increase.
9. We support the real monetary savings and emissions reductions that should be borne from reductions to congestion and travel times. These efficiencies will flow from the targeted activity class investments in Auckland and Wellington public transport, and the maintenance and improvement of the roading network. These will have multiple benefits for resilience and healthier, safer communities.

Section 2 – System Reform

10. We agree that the GPS 2024 brings about a significant change in focus. We support the GPS' direction and four strategic objectives:
 - a. economic growth and productivity;
 - b. increased maintenance and resilience;
 - c. safety; and
 - d. value for money.
11. We support the reforms. We have recently submitted on the Fast-Track Consenting bill in support of its intention to enable faster delivery of infrastructure projects. The RoNS and rapid transit projects outlined in the GPS will benefit from faster consenting, but it is important that these will be coordinated with other enabling infrastructure consents in the energy and resources sectors.
12. One point that does not receive discussion in this section is the need to consider and co-ordinate infrastructure builds with the appropriately skilled workforces to

carry them out. The energy and transport sectors have specialist workforces and compete internationally for talent. Consenting alone will not deliver infrastructure, and infrastructure alone will not deliver the objectives of the reforms outlined in this section.

13. We note that technological and legislative changes will be needed to advance the future revenue system. Changes will need to be signalled well in advance to affected New Zealanders to avoid disruption. This forecasting is especially important for our liquid fuels import industry which has faced a significant amount of regulatory change over recent years. Consistency in approach across government, and timeliness of consultations on revisions to fuel specifications, pricing and taxation will encourage secure supplies of fuels to where and when they are needed.
14. We also note that the underlying rationale for reforming the revenue system relies on forecasts of declining fuel use in relation to vehicle kilometres travelled (VKT). Figure 2 (page 8) shows that total petrol consumption is forecast to decrease, despite a continuing increase in road travel distances, due to an increase in the fuel efficiency of vehicles and the shift to EVs. We think targets to reduce VKT in the first Emissions Reduction Plan (ERP1) took insufficient account of New Zealanders' continued reliance on road travel and such targets should not be repeated in ERP2.

Emissions reductions

15. We support the commitment to restoring policy predictability¹ and credibility to ETS settings so that we have a strong, stable, and durable ETS to lead emissions reductions. We note that the final GPS will have further clarification about the role of the ERP2. Our firm view is that our net emissions targets are economy-wide, and a tonne of carbon from transport is equal to a tonne of carbon from any other source so policies targeting the reduction of gross transport emissions may not necessarily reduce overall emissions. The objective must be to find a low-cost pathway to net zero.
16. Emissions reduction funding is noticeably missing from the draft GPS. We recognise that emissions reductions from transport will be accounted for in the ERP2 and adjustments to the ETS. These are the key policies for emissions reduction objectives. We support the draft GPS' current focus on core transport policy, such as the safety and efficiency of our roading network and we are keen to further understand how the GPS will deliver on emissions reduction targets in alignment with the forthcoming ERP2.

¹ We note that predictability is a more nuanced but accurate dimension against which to assess policy settings. Certainty implies a likely higher threshold, one which implies the shifting of risks between parties.

17. Attention could be directed to sources of innovation funding for projects and initiatives that support the cutting edge of climate responses for the transport sector, such as the [Transport Innovation Fund](#). These sorts of funds are more likely to recognise the high-risk high-reward innovations that require up-front capital, research and development, a quick-fail policy environment, and phase-in of successful innovations. Nascent fuels and technologies may need government support by promoting cost-effective and market-based solutions without imposing undue costs to the economy.
18. There will be significant implementation hurdles for the government to work through when finalising the GPS. For example, Regional Land Transport Plans (RLTPs) must be consistent with the GPS, but councils are currently busy completing a mid-term review of their RLTPs. This could require a revised deadline for councils to give adequate time for consultation and to align with the final GPS.
19. The roll-out of 10,000 public EV chargers by 2030 might create new demand for electricity. Current barriers to EV chargers being installed lie within the electricity system. This has multiple pricing and process efficiencies and regulatory settings that may not align well with a planned national roll-out within the transport system. How the transport and energy systems work together on this matter should have some consideration in the final GPS.

Conclusion

20. The provision of transport and energy are among the top priorities for any government but are particularly poignant now. The energy and transport sectors form the backbone of the economy, along with the workforce and a stable social network. Covid-19 demonstrated just how important it is to have the necessary flows of trade and supply, enabled through fuels and energy in the right place and time. The pandemic also illustrated just how isolated New Zealand can be when physical disruptions occur, despite good digital connections to the wider world.
21. We appreciate the opportunity to provide input to the draft GPS. We are very happy to discuss matters in this submission in further detail if that would be helpful.