

4 April 2025

Ministry of Business, Innovation and Employment

via e-mail: GasFuelPolicy@mbie.govt.nz

Submission on Review of the Engine Fuel Specifications Regulations 2011

Introduction

1. Energy Resources Aotearoa is New Zealand's peak energy sector advocacy organisation. We represent participants from across the energy system, providing a strategic sector perspective on energy issues and their adjacent portfolios. We enable constructive collaboration to bring coherence across the energy sector through and beyond New Zealand's journey to net zero carbon emissions by 2050.
2. We thank you for the opportunity to provide feedback on the Review of the Engine Fuel Specifications Regulations 2011 ('the regulations').
3. Our submission will focus on three key areas:
 - a reducing the maximum aromatics limit of petrol to 40 per cent (option 3);
 - b including methanol in the regulations (question 5); and
 - c clarifying rules for selling renewable diesel.

General comments

4. We are very supportive of fuel specifications that improve fuel efficiency, health benefits, environmental impacts and access to new technologies. We believe the proposals within this review will help to achieve this.
5. We strongly support aligning New Zealand's engine fuel specifications with Australia. This makes sense as we share the same supply chains and refinery sources and both countries also import right-hand drive vehicles from the same markets.
6. It is important that we keep up to date with fuel specifications. We are disappointed with the two or more years' delay in getting this review underway. The bottleneck for new technologies should not be fuel specifications. Regulation

of quality and standards of our imported fuels is a core role of government and cannot be achieved by any other market participants.

Notes on timing of review and on implementation

7. This periodical review of the regulations is long overdue in terms of good regulatory practice. This issue has been in front of Ministers since before the last election and we understand the last review was in 2017. That said, we commend the work by officials in bringing together this highly technical information into an easy to comprehend document and thank them for the opportunity to discuss the review with them during the consultation period.
8. We strongly encourage MBIE to give practical lead-times for implementation of any resulting revisions. This is due to the complexities of supply chains, their ability to respond to changes and the associated operational risks. Sufficient lead-time is needed to ensure a smooth transition to new specifications. For example, the reduction of allowable aromatic content of petrol to 35 per cent would be quite damaging if imposed in one sharp hit. The capability is not built yet and industry and consumers would incur material costs.

Petrol

Aromatic levels

9. We prefer option 3 of the aromatic levels – this option allows for a maximum of 40 per cent aromatic levels and this gives the industry flexibility to blend at terminals and petrol stations.
10. At lower levels, such as the proposed 35 per cent, the industry will incur significant costs or, at worst, be unable to deliver to specifications. We strongly encourage option 3 be adopted to avoid these unnecessary costs.

Methanol

11. In response to question 5 about other octane enhancers being included in regulations, besides ethanol, we strongly support the inclusion of methanol in the regulations. It is an increasingly valuable product for blending with other fuels, strengthening our fuel diversity and security, and reducing emissions and other pollutants.
12. We would like to emphasise the value proposition for adopting a fuel standard that permits methanol and petrol blending by referring to a 2015 submission

from Methanex on *Reviewing Aspects of the Engine Fuel Specifications Regulations 2011*, which remains valid today.¹

Diesel rules – in particular, renewable diesel

Renewable diesel

13. We are supportive of more prescriptive regulations that clarify renewable diesel can be freely traded and transported in the New Zealand market. We agree that regulations do not need to prescribe the blending limit or labelling requirements.
14. We are aware of the [recent launch](#) of renewable diesel for commercial use.
15. It is disappointing that renewable diesel has not yet been approved for retail sale and we anticipate that this review will make that option possible. However, there are some considerations:
 - a public consumption requires a different degree of consumer protection than commercial customers; and
 - b the risks of unintentionally running out of fuel due to the lighter chemical quality of renewable diesel (meaning it runs ever so slightly less km per litre).
16. The above considerations mean that the government and industry should be prepared to provide some consumer education before renewable diesel becomes available at the pumps.
17. For retail sales, we think new ‘renewable’ diesel blends should be allowed the same consideration as given to existing biodiesel blends. We note a request from our membership to consider adjusting density for renewable diesel blends down to 810.kg/m³.
18. For non-retail sales, we support sales in neat form, and exemption from diesel density specifications that would otherwise apply to the retail sale. This should continue to be by agreement between the supplier and customer.

¹ Excerpt (page 3): *Methanol/petrol blending provides an immediate means for New Zealand to reduce its reliance on imported petroleum by using a product produced from domestically produced natural gas.*

Adoption of a fuel standard that permits low level methanol/petrol blending also provides a pathway for the potential of wider adoption of methanol from renewable sources.

Several countries and regions are currently using or, at a minimum, permitting methanol to be used as a direct fuel or as fuel component when blended with petrol.

Diesel

19. In response to question 13 of the diesel section, we support the proposal to reduce the maximum allowable diesel density to 845kg/m³ to align with EURO 6 standards. We are, of course, unsure about the interactions between this proposal and the motor industry, which means MBIE will need to work closely with the Ministry of Transport on managing any impacts.
20. In response to question 14, we recommend keeping in place the allowance to blend biodiesel for compliance with legislative requirements, recognising that this usually occurs with the support of a refinery, which is no longer available in New Zealand. It is important that New Zealand retains the ability to blend on-site, especially as there are increasingly more and varied drop-in fuels becoming available, such as biofuels and renewable diesel.

Fuel oil definition - in particular, marine fuel oil

21. We agree that marine fuel oil should be included under the definition of fuel oil.

Concluding remarks

22. We thank MBIE for the opportunity to provide feedback on the review of engine fuel specifications.
23. Supporting industry views in this highly technical review should be the priority and we encourage MBIE to listen carefully to the industry experts.