

## Appendix II – Additional Information Supplied by Z Energy

Z Energy has just published its annual report for the 2014 financial year (ending 31 March 2014). <http://z.co.nz/annual-report-2014/welcome/introduction>

The report documents a range of initiatives the company is advancing across a range of sustainability initiatives, including biofuels, clean tech opportunities and initiatives to cut emissions from its own operations.

Z is a liquid transport fuels company – not an oil or gas producer – and this means greater flexibility in terms of the fuels it can offer in the New Zealand – it is not integrated with oil and gas production.

In preparing this response Z told us that the company has met with the Green Party on a number of occasions around alternative fuels and the company has asked the New Zealand Superannuation Fund to extend the offer again that Z is very happy to meet with the Greens at any time around any element of its business.

Z has four key sustainability pillars which drive its operations in this space and they are documented here: <http://z.co.nz/about-z/what-matters-to-us/sustainability/sent#ask-a-question-form>

In terms of some detail, Z is currently involved in two biofuel projects. These are documented here: <http://z.co.nz/annual-report-2014/making-things-happen/were-on-track>.

The first project is an inedible tallow to biodiesel production facility based in Wiri, Auckland. Construction on the plant started in June 2014 and is expected to be producing biodiesel in the third quarter of the 2015 calendar year. This is a \$21 million investment that will see the construction of New Zealand's only commercial scale biofuel plant and Z as clearly New Zealand's largest biofuel producer.

The plant will produce 20 million litres of B100 per annum and for an additional incremental investment – dependent on customer demand and economics - production at the plant can be doubled to 40 million litres very quickly. The plant will consume about 10 per cent of New Zealand's annual output of inedible tallow, giving the plant very high sustainability credentials, producing a very high quality biodiesel (meeting New Zealand and European fuel specifications) and delivering a very low carbon fuel with minimal particulate emissions.

Z has been developing this project for four years. While the company is committed to the project, the economics remain challenging and this may well be one of the world's only biofuel plants that will attempt to operate without any support or subsidy.

Should the plant be well supported and the economics favourable there is opportunity for Z to invest in a number of similar plants in other areas of the country.

Z has also completed a technology review and initial plant engineering design in partnership with Norske Skog and the Ministry for Primary Industries around converting wood waste into biofuel. This would be a second generation biofuel and, while a longer-term prospect, has, in Z's opinion, considerable future potential. This is a challenging project and is unlikely to see fuel production in the near term. Z is committed to continuing its investigations into this technology and opportunity and the next stage is likely to be Z undertaking fuel quality research around what the technology is capable of producing. Z would be very happy to brief the Green Party on any aspect of this work.

One of the company's commitments is to help its customers use less fuel and increasingly this looks like Z leading the development of technology-related tools for light commercial vehicle

fleet management. Z is advanced in the development of such a technology and would again be happy to discuss with the Green Party in terms of what the technology is, how it will work and the company's roll-out plans.

In terms of broader sustainability, the company acknowledges that while the vast majority of carbon released comes from the fuels its customers burn, it also needs to run an efficient operation of its own. Z has introduced recycling across all of its own operations, including recycling bins at all of its retail sites and the company's own vehicle fleet are hybrids. Z has installed the first electric vehicle charging station at a service station at Harbour City in Wellington and has refitted all of the light bulbs in its network of 215 retail sites with energy efficient LED bulbs, cutting electricity consumption by more than 10 per cent.

Z's position on sustainability is that climate change is real, is impacted by human behaviour and the company wants to move from being part of the problem to the heart of the solution. The company is interested in discussing new ideas, current projects, opportunities and policy settings with all parties in Parliament in this space. As an aside, in addition to what already report on an annual basis in the sustainability space, the company will this year embark on sustainability reporting under the more formal Global Reporting Initiative (GRI) framework.

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