



Action for Pricing Agricultural Emissions – How to write your submission

October 2022

We need you and every farmer to get onboard and submit on the Government's Consultation. Submissions are due 18 November 2022.

In its current form the Government's proposals on Pricing Agricultural Emissions are unacceptable. This consultation document is not what the industry proposed in He Waka Eke Noa after two years of working together and is putting the sheep and beef sector as well as rural communities at risk. This submission worksheet has been developed to help you understand what is being proposed, how it may affect you, and most importantly how you can get involved by writing your own submission. All submissions are due Friday, 18 November 2022.

On the 11th of October, the Government released its response to He Waka Eke Noa Primary Sector Climate Action Partnership proposal on the pricing of agricultural emissions. The Government has legislated that pricing farmers for their emissions will begin by 2025, and while Beef + Lamb New Zealand (B+LNZ) understands that no farmer wants an additional cost, we saw He Waka Eke Noa as a fairer solution.

The Government's response, although including sections of He Waka Eke Noa, is not the same and has undermined the fundamental elements of what made the proposal equitable. The two main areas of concern for sheep and beef farmers are changes to sequestration and the price setting processes.

While we recognise everyone has a role in reducing emissions, **we cannot accept a system that disproportionately puts our farmers and communities at risk. The Government's proposal is not, and cannot be, supported by B+LNZ and we will keep fighting for a fair outcome for sheep and beef farmers.**

It is critical that the Government listens to our concerns and that farmers submit on the consultation document.

The Government's consultation documents are available on the MfE website: <https://consult.environment.govt.nz/climate/agriculture-emissions-and-pricing/>

Below you will find areas of key concern for B+LNZ that can be used within your submission, suggestions on how to write your submission, and where to submit.

We have also provided a blank template you can use as a basis for your submission if you need a starting point: https://beeflambnz.com/sites/default/files/consultations/Emissions_Pricing_Blank_Submission_Template.docx

What has the Government proposed?

- A farm-level split gas levy to recognise the different warming impact of biogenic methane, and price it separately to longer-lived gases like carbon dioxide.
- The Government has agreed that the Emissions Trading Scheme (ETS) is not an appropriate vehicle for reducing on-farm greenhouse gas emissions.
- Government modelling shows a modest price on methane is needed to achieve the Government's current methane reduction target for 2030 but reinforces what B+LNZ has been saying that climate change policies are unfairly impacting sheep and beef (and deer) farmers.
- The Government has proposed a range of changes to what He Waka Eke Noa partnership proposed, including to: sequestration; the pricing criteria and process; and linking the nitrous oxide price to the ETS price. They have also not decided on the pricing details for fertiliser.
- The Government has reserved the right to start with a processor split levy gas levy for the first couple of years if their progress on setting up the farm level system is too slow.

Key problems

Sequestration

A large part of the He Waka Eke Noa Partnership proposals was allowing for farmers to be recognised for their on-farm sequestration. This was something B+LNZ saw as a non-negotiable in the He Waka Eke Noa proposal.

The Government proposal has reduced the categories that farmers can get recognition for including indigenous vegetation where stock is excluded, and riparian strips. To access this recognition, a farmer would need to enter into a contract to exclude stock. The reward for this would be the amount of sequestration that stock exclusion added to what the vegetation would have sequestered anyway, which may not cover the cost of stock exclusion.

The Government acknowledges the ultimate objective is to add further categories to the ETS, but also says that this will take many years.

We do not think these changes are acceptable. If farmers are to face a price on their emissions, they should get proper recognition for the sequestration happening on their farms.

As sheep and beef farmers we need a fair system where we have equal opportunity to accurately pay for our emissions, but also be able to take credit for the carbon we sequester.

Pricing setting process and criteria

The He Waka Eke Noa partnership proposed that the agricultural sector should have input into the setting of methane and nitrous oxide prices through appointments to an independent panel. It also proposed a range of criteria to reflect the price impacts on sector viability, availability of emissions reductions technologies, emissions leakage and equity across sectors.

The Government has not adopted this approach and instead has proposed that the Climate Change Commission is responsible for recommending methane prices. Its advice would be based on the overall progress towards emissions reductions targets. Other impacts would be 'secondary' to meeting targets.

This is too narrow a perspective on price setting, and prices need to look at international issues (e.g. production moving offshore) and social and economic impacts here in New Zealand.

Pricing emissions will not support emissions reductions on their own, but investment in research and uptake of mitigation would – alongside recognition of existing sequestration.

Linking the nitrous oxide price to the carbon dioxide price

He Waka Eke Noa proposed delinking the nitrous oxide price from the ETS price. The nitrous oxide price would be set at what is needed to fund the system.

However, the Government has proposed linking the nitrous oxide price to the ETS (with a 95 percent free allocation that reduces by 1 percent a year to 2030) because it is a long-lived gas and has a net zero target. An escalating carbon price could have significant cost implications for farmers.

The methane price and the Government's modelling

The Partnership proposal committed to keeping levy rates as low as needed to reduce emissions and maintain a viable productive agriculture sector. The Partnership recommended a maximum starting methane price of 11c, and for the starting price to be held for three years. While the Government has not responded directly to the recommendation of a price ceiling, the Government's modelling suggests that a price well under an 11c ceiling could achieve targets.

The assumptions made in modelling are important, however, Government's modelling shows the biggest impact of its proposal will be on sheep production and significant emissions leakage overseas. It makes no sense to reduce production in New Zealand (the world's most efficient sheep meat producer) and have another country produce it with higher emissions.

Levy Revenue

The emissions pricing system Government has proposed creates surplus levy money, due to reduced sequestration and incentive payments.

The partnership recommended only sufficient revenue be generated and all revenue to be re-invested into the agriculture sector. It is also important that the agricultural sector is involved in governance around how the levy is re-invested (i.e., research, incentives etc.).

Under the Government's proposal not all revenue raised will also come back to agriculture directly. The Government has indicated if agriculture emissions do not reduce as expected as a result of implementing this system the sector may be required to pay for the shortfall by funding additional domestic or international credits to offset emissions.

New Processor levy backstop

The Government has indicated setting up a pricing system by 1 January 2025 will be difficult.

If the Government feels they are not on track to implement a farm level pricing system by that date they will use a processor levy as an interim measure. The Government's proposal has not identified timeframes or milestones for achieving the farm level pricing system.

The partnership did not propose a backstop. The agriculture sector has no control over this and there may be additional costs to implement two systems if Government's timelines are not met.

We would prefer to go to the farm-level pricing system immediately, and not invest in an interim processor-level option.

B+LNZ guidance on writing your submission

The following is advice for farmers on what to put in their submission.

The Ministry for the Environment is responsible for receiving and reviewing consultation feedback. They are seeking feedback on the details of how the proposal will work in practice, the effect it will have on reducing emissions, and the impact on participants and the wider economy. B+LNZ will be making a submission on behalf of the sheep and beef sector. However, we encourage all farmers to write their own submissions. This is your opportunity to have the Government hear your thoughts. Below is some advice on how to write your own submission. We suggest rewriting any context used into your own words as much as possible.

Submit here:

<https://consult.environment.govt.nz/climate/agriculture-emissions-and-pricing/>

Due: Friday, 18 November 2022

Note: You can use the MfE tool to provide answers to their questions or write your own submission.

To upload your own submission, click 'Provide General Feedback' towards the end of the contents list on the weblink above.

Please note: Other sections of the contents that are compulsory to complete are the Submitter Details and Consent to Release your Submission.

Here is a draft template you can use for your submission: https://beeflambnz.com/sites/default/files/consultations/Emissions_Pricing_Blank_Submission_Template.docx

1. Provide background on your farm:

Keep this section brief, it is a great place to set the scene for the submission but shouldn't be the largest part. Highlight the key points about your farm and what you are currently doing to improve your environmental footprint.

Types of information to include:

- Where you are farming (catchment) and type of country you are farming (flat, rolling, hill)?
- What type of farm?
- Stock class and ratio and whether or not this changes overtime?
- How long have you and/or your family been farming the property?
- If the property is under development – future aspirations and motivations?
- Your environmental management and if you are actively planting and managing trees on farm.

Include things like riparian strips, allowing native regeneration, QEII covenants, plantation forestry, manuka, and wetlands.

2. Give general responses to the proposal:

Provide detail on the key areas that you support and oppose. You can use the information above under key problems to build your argument.

Types of information to include:

- I support the overall goal of the proposal to mitigate the impact of global warming/climate change and to have New Zealand as a world leader in producing produce with a low environmental footprint.
- I support the use of an on-farm split gas levy system to price emissions and oppose the use of the ETS to encourage on-farm emissions reductions.
- I oppose the mechanisms that the Government has proposed regarding setting prices, linking nitrous oxide price to carbon price, which is driven by factors outside of agriculture.
- I oppose the lack of opportunities for farmers to be able to mitigate their emissions, in particular through the use of sequestration.
- I support a farm level system and oppose an interim processor level system as a backstop.
- I support an approach that maintains the viability of New Zealand's sheep and beef sector and rural communities. An approach that recognizes the existing work New Zealand rural communities do to mitigate climate change and is fair across all sectors and New Zealand industries and communities. I argue that the Government's proposal does not meet these requirements.
- I am deeply concerned about the potential economic impacts on sheep and beef farmers of the proposed pricing framework for agricultural emissions. The system needs to be fair and equitable and must ensure that one sector does not disproportionately carry the burden. The equity outcomes need to be relooked at carefully to ensure that this does not happen.

3. Highlight Impacts and Implementation issues in relation to your farm:

This section is an ideal opportunity for you to detail what the specific impact of these proposals could be on your farm.

Types of information to include:

- What areas and types of vegetation do you have on-farm that should be recognised as sequestering carbon? Highlight the areas and work you have done that is of benefit to all New Zealand that won't be recognised under the proposal. What are some of the ways that you may be able to manage your farm's emissions and what you may do to mitigate your on-farm emissions?

- Will the proposed changes significantly impact your bottom line? Are you worried that the viability of your farming business is at risk? Are you worried about needing to sell or plant your whole farm in forestry?
- What will be the impact on your community if you have to reduce stock numbers significantly or sell?
- Does the proposal encourage or discourage you to mitigate climate change or are you driven to increase production to be able to pay the emissions price?

4. Give feedback on key proposals:

Below is some context you may want to include in your own submission:

Sequestration:

We suggest you look at your farm and identify areas of vegetation that would no longer qualify for a sequestration payment because of the Government's amended proposal. In particular small blocks of pre-or-post 1990 native vegetation or shelter belts etc.

I oppose the Government's proposal surrounding sequestration. As a farmer and steward of the land I believe that to have a fair system both emissions and carbon sequestered needs to be calculated. If farmers are held to account for their emissions, they must be recognized for their sequestration. Farmers need to have the ability to offset emissions through planting vegetation, and therefore be incentivised to mitigate emissions.

Recognition of a broader range of sequestration is critical to achieving a balance in the system that will make it work for both extensive and intensive farmers.

The Government should adopt the Partnership's recommendations and recognise more on-farm vegetation categories.

The Government also needs to provide a roadmap for completion of this work and a timetable for eventual implementation into the NZETS.

Price setting process and criteria:

I oppose the Government's proposal on price setting through the Climate Change Commission. Although I support the pricing being completed through an independent body, the agricultural sector needs to have a representation within the setting of price to create a price that will be fair and manageable. The Climate Change Commission's role is to recommend targets across the wider economy, I argue that this is a conflict of interest that could risk agriculture cross-subsiding wider warming reduction.

A wider range of criteria also has to be taken into account when setting the price than simply achieving the target. Equity, economic impacts and what other countries are doing has to be a factor. While agriculture needs to play its part, this should not be at the expense of one of our major exporting sectors and rural communities.

Linking the nitrous oxide price to the carbon dioxide price:

I do not support linking the nitrous oxide price to the carbon price. Differing reduction targets for gross carbon dioxide vs gross nitrous oxide should be understood before considering linking the two. If there are different pathways envisaged for nitrous oxide and CO2 reduction targets by 2050 it does not make sense to link the two.

If the nitrous oxide price is linked to the carbon price and the carbon price rises rapidly this will become a significant cost to my farm and impact on my profitability.

The methane price and the Government's modelling:

I am deeply concerned about the potential revenue and production impacts on my farm and community as a result of the Government's proposal. What the modelling shows is that a very cautious approach needs to be taken to pricing.

While not part of He Waka Eke Noa, it is vital that the Government re-look at the methane targets. The higher the targets the higher the potential price needs to be under this system. New Zealand is the only country looking to put a price on agricultural emissions. It makes no sense to put our agricultural sector out of business and impact severely on the New Zealand economy just to be able to claim a first.

I am also really concerned about the disproportionate impact of the pricing proposal on sheep, beef and deer farmers. The modelling reinforces the importance of the proper recognition of sequestration.

The Government needs to relook at the architecture of the proposal to ensure that no one sector disproportionately carries the burden of meeting New Zealand's targets.

Revenue recycling:

The levy should only be sufficient to deliver on the schemes intended purpose, not to collect excess funds or charge farmers more than necessary.

Farmers should have control and say over the use of revenue for the purpose of re-investment back into the sector such as to support the uptake of technology. This will help agriculture to meet environmental outcomes and to transition to low emissions pastoral production.

New Processor levy backstop:

This backstop creates significant uncertainty for me as a farmer about what kind of system is being established. It is also inequitable in that it places the payment burden on only those that slaughter stock.

The Government needs to be held to account for the implementation of the scheme, and should share the set-up and operation costs, like they did for the NZ ETS.

I do not like the idea of starting with one system and then having to pick up another one a few years later.