

He Waka Eke Noa Primary Sector Climate Action Partnership and emissions pricing – information for sheep and beef farmers

September 2022

We know some farmers have concerns about He Waka Eke Noa's recommendations so we've developed this explainer to set out our positions and address some common questions and misconceptions.

B+LNZ supports:

- **The He Waka Eke Noa process and partnership** – while we'd prefer farmers didn't face a price for their emissions, we believe He Waka Eke Noa is the best available option and is better than the Emissions Trading Scheme (ETS).
- **A cautious approach to pricing** – as New Zealand is the first country to do this. We also support the setting of strict criteria that take a range of factors into account when setting the methane price.
- **The use of GWP*** – B+LNZ strongly supports the use of GWP* and a warming approach to the methane targets and annual reporting on warming. We're pushing on the targets separately, however the He Waka Eke Noa recommendations also reflect the science behind GWP* (noting that it's complicated to apply GWP* strictly at farm level at this stage).
- **Farmers getting better recognition for on-farm sequestration** – B+LNZ's position is that on the day farmers start to face a price on their emissions they need to get proper recognition for their sequestration. While we ultimately would like to improve the ETS, we do not believe it will be possible to have improvements in place in time and therefore want sequestration recognised in He Waka Eke Noa.

More detail follows. [Previous Q&As are available online.](#)



The He Waka Eke Noa process and partnership

What wins have B+LNZ secured for farmers so far and what do we stand to lose if we go into the Emissions Trading Scheme (ETS)?

We had two major achievements for farmers in 2019 – split gas targets and the Government agreeing not to put agriculture into the ETS at that time.

We got a split gas target for methane rather than all gases being reduced to zero, despite significant opposition (around 19,000 submissions at the time supported all gases getting to net zero). While the Government left the job half-done, by not agreeing to report on warming as well as emissions, the split gas targets were a big concession. However there's still a lot of work to do on the targets.

At the time of the Zero Carbon Bill, the Government was also working on legislation to bring agriculture into the ETS in 2020. They agreed to work with us on developing a credible alternative pricing system, but put backstop legislation in place to bring agriculture into the ETS in 2023 if we had not made enough progress by then.

While there's still work to be done to address the unjustifiably high methane reduction targets, we shouldn't lose sight of the gains made to date, because the prospect of losing them is real.

How real is the threat of agriculture going into the ETS?

The legislation is already in place to bring agriculture into the ETS next year if the Government decides we haven't made enough progress on He Waka Eke Noa. They actually have to change the legislation to stop us from going into the ETS.

The Government has been very clear that a credible alternative proposal on emissions pricing needs to be able to deliver emissions reductions in line with emission targets already in law. Therefore, we have no choice but to work with He Waka Eke Noa partners to find that credible alternative proposal.

B+LNZ does not agree with the current methane targets but addressing these is a separate process to He Waka Eke Noa.

Why is He Waka Eke Noa better than the ETS?

If agriculture enters the ETS, we would lose the split gas outcome in climate change legislation that we fought so hard for and methane would effectively face a net zero target as the price of methane would be linked to the carbon price. Farmers would be at the mercy of a soaring carbon price that is not linked

to our sector's agricultural emissions reductions. This would be a far worse outcome for sheep and beef farmers.

The ETS is a blunt instrument that focuses on achieving emissions reductions through pricing – after two years of analysis and discussion, we're confident that won't work.

Our farmers have been very clear they do not want to go into the ETS.

Under He Waka Eke Noa, there will be a separate price for methane not linked to the carbon price. The trajectory of this unique methane price will depend on a range of factors including what other countries are doing and our progress towards our own target, not what is happening with fossil fuel emitters. Also, under He Waka Eke Noa additional sequestration will be recognised and there will be incentive payments available.

How transparent is the He Waka Eke Noa process?

Any process that involves two years of work across sector partners, Government and iwi will include long periods where work happens behind the scenes so sometimes there's limited concrete information available, and we understand this can be concerning for some farmers.

The He Waka Eke Noa partners have worked hard to keep farmers informed about the emissions pricing options and process when they can. Draft information was first publicly released in November 2021 and then the He Waka Eke Noa partners consulted with farmers on options for emissions pricing in February and March 2022.

The partnership considered over 100 pricing options over those two years. The options we took to farmers were the ones that all partners were able to agree on. Some of the options considered, but not taken forward, would have favoured one sector or types of farmers over another.

Over 7,000 people expressed their views in some way during the main consultation and all feedback was considered - and some changes were made as a result. In addition to information released by the He Waka Eke Noa partnership, B+LNZ and other partners made public a large volume of documents, analyses and modelling and personally met with a wide range of farmers and farming groups to answer their questions.

While not perfect, the proposed He Waka Eke Noa option is the one that most farmers and all eleven organisations supported.

Pricing under He Waka Eke Noa

How are you addressing farmer concerns about the prices applied to emissions?

We share farmers' concerns about pricing and therefore pushed hard on key points to minimise the effects on sector sustainability.

This included taking a cautious approach to pricing. We pushed for a recommended maximum starting rate for methane of 11c per kilogram to be held for the first three years and for potential levy relief where no mitigation options are available and sequestration is limited via regional or district plans.

Levy rates must also take into account a range of factors such as: progress towards emissions targets; the availability and cost of on-farm mitigations; the social, cultural and economic impact on farmers, communities and Māori agribusiness; available scientific information; and emissions and production moving offshore (emissions leakage).

If we are making progress on reducing our emissions, will the price go up?

If we are getting closer to the targets, the price paid per kilogram of methane will either not go up or it could potentially reduce.

How does the incentive mechanism work?

Farmers will receive an incentive discount for using approved practices and technologies that deliver measurable emissions reductions.

While using an approved practice or technology will lower your emissions and the amount you pay, that saving is unlikely to cover the cost of implementing that technology. Therefore, an incentive payment has been recommended in addition to encourage use of the technology to effectively 'offset' the cost of undertaking the activity and make it financially viable.

What if there are no approved practices or technologies that can be implemented on my farm, or if I can't access sequestration?

You should not be worse off financially than a farm that does have these available.

As more farmers use mitigations that reduce their methane, everyone in the system benefits. The total amount of methane should reduce, and the sector will move closer to the targets set in legislation. As the sector gets closer to the targets, the price paid per kilogram of methane will reduce for all farmers.

He Waka Eke Noa has also recommended a provision for levy relief for farmers where access to sequestration is severely restricted by national and local body regulation and where their farm has no access to effective mitigation technologies.

Impacts on sheep and beef farmers

Why does B+LNZ support He Waka Eke Noa when its own modelling shows a significant impact on sheep and beef farmers?

Sheep and beef farmers are more impacted by a price on agricultural emissions under current market conditions because of the amount of production and therefore money made per unit of emissions produced. That's why when the He Waka Eke Noa proposal was released, B+LNZ published modelling to demonstrate the impact and reinforce the need to take a cautious approach to pricing.

We pushed for the recommended maximum starting rate for methane (11c per kilogram, held for the first three years) and for potential levy relief where no mitigation options are available and sequestration is limited.

We also used our own modelling to argue that the methane price does not need to get as high as 35c per kilogram by 2030, which was one of the partnership's modelled scenarios. Our modelling led to changes to the recommendations document.

New Zealand is the first country in the world to consider putting a price on biological emissions so it's critical that a cautious approach is taken.

We are among the most efficient producers in the world and it doesn't make sense to do something drastic that would also lead to emissions leakage (where markets source red meat from other, less efficient, producers internationally due to pricing).

The price sensitivity of our sector is also one of the key reasons we will be working to try to get the methane targets reviewed to reflect the latest science (see later info on this). The higher the target, the higher the price that potentially needs to be applied in order to achieve the target.



Will one in four extensive sheep, beef and deer farms be driven out of business by the He Waka Eke Noa proposal?

This claim is based on an incorrect representation of modelling by B+LNZ and its purpose. Our modelling was released to show that the price of methane did not need to get to 35c per kilogram in 2030, because that price would have significantly higher impacts on our sector and could lead to an overshoot of the methane targets. This modelling was accepted by the He Waka Eke Noa programme and incorporated into the recommendations document.

Does He Waka Eke Noa favour more intensive farming operations?

Under current market conditions, sheep and beef farmers will generally be more impacted by a price on agricultural emissions than other types of farming operations (due to the amount of production and therefore money made per unit of emissions produced) we carried out our modelling to show the effects and the need for a cautious approach to pricing.

But remember that the proposals do not reward or penalise farmers based on emissions intensity.

The proposals are based on farmers calculating their actual, total emissions – not emissions per unit of product or emissions per hectare.

There are compromises in He Waka Eke Noa for both extensive and intensive farming operations.

Intensive livestock farmers will have higher methane and nitrous oxide emissions per hectare and will face higher levies per hectare because they run more animals per hectare. Intensive livestock farmers are less likely than extensive farmers to have suitable land for any significant plantings of trees to sequester carbon and offset emissions.

Ultimately, if methane and/or nitrous oxide emissions are already low or reduced, then a farm's overall emissions obligation is low. If methane and/or nitrous oxide emissions are high, then the farm's overall emissions obligation will be high. If there is sequestration on farm, that will be netted off the bill – analysis by the partnership indicates that extensive sheep, beef and deer farms are likely to have more ability to offset.

Why isn't a land-based approach that would be fairer to sheep and beef farmers being used?

The He Waka Eke Noa recommendations are the result of two years of analysis and debate and all partners have had to make concessions.

We explored the scope for a land-based approach that favoured extensive farmers during the process,

but that would have put a higher price on intensive farmers and it did not get consensus in the partnership.

Land-based allocation would also require intense LUC mapping to support the allocation methodology (not only across farming enterprises but also within farming businesses) – the partnership believed this would be unachievable.

Some partners argued for an outputs-based approach, which in our view favoured more efficient farmers, but this would have created problems for extensive farmers. We did not support an outputs-based approach. The ultimate goal of He Waka Eke Noa is to find a compromise that does not favour one type of production.

Support for GWP* and addressing the methane reduction targets

Does B+LNZ's support for He Waka Eke Noa mean it accepts the methane reduction targets?

No. We do not agree with the unfair methane reduction targets and have publicly criticised them since they were introduced in 2019. There will be a review of these targets by the Climate Change Commission in 2024 and we will be working hard with Federated Farmers, DairyNZ and DINZ to get these adjusted to reflect the science including the use of more appropriate metrics such as GWP*.

The target for carbon dioxide is to get to net zero (or no additional warming) by 2050. Based on the latest science, an equivalent target for methane to contribute no additional warming would be a 10 percent reduction by 2050.

He Waka Eke Noa is the framework for how agriculture will meet emissions targets – we have to have this framework to help farmers achieve climate change targets, whatever they are, and that framework can evolve over time.

In an ideal world, our preference would be for an emissions pricing system to be developed after the targets are reviewed, but the Government made it clear we needed to come up with a pricing framework by 2022, otherwise they would put agriculture into the ETS.

If we went into the ETS, the methane targets would be beside the point, as the methane price would be linked to the carbon price and we'd effectively face a net zero target for methane.

It's vital that we get the targets revised as the higher the target, the higher the price that potentially needs to be applied in order to achieve the target.

It's worth noting that New Zealand's current targets for reducing methane (24-47 percent by 2050) were taken from an earlier Intergovernmental Panel on Climate Change (IPCC) report that specifically stated those numbers (which were provided as global targets) should not be used for individual countries' targets.

We're also urging the Government to report on warming as well as emissions.

What is B+LNZ's position on GWP* and does He Waka Eke Noa recognise the cyclic nature of methane?

B+LNZ strongly supports the use of GWP* and has [publicly called for its use since 2019](#).

The most important place for GWP* to be used is in relation to the emissions reduction targets. B+LNZ strongly supports the use of GWP* or a warming approach to emissions at a national level.

One of the wins achieved by the agriculture sector in 2019 was convincing the Government to recognise the different nature of different gases, especially methane, and having a separate target for methane. While we don't agree with the current targets, we at least have separate targets.

He Waka Eke Noa reflects the essential elements of methane being a short-lived gas. There is a separate price for methane, which reflects the fact we have a separate methane target.

The unique price of methane is then multiplied by the weight of methane with no conversion to carbon equivalents. GWP100 is not used for methane in any way in He Waka Eke Noa.

The ETS absolutely does not recognise methane as being a short-lived or cyclic gas.

The ETS is based on GWP100, and if we went into the ETS, the price of methane would be linked to the price of carbon and methane emissions would be converted into carbon dioxide equivalents using GWP100. That would be ruinous for our farmers and is why we need to stay out of the ETS.



Why haven't you applied GWP* at the farm level in He Waka Eke Noa

GWP* is significantly more complicated to apply directly at the farm level.

First up it requires around 20 years of historical stock data in order to work properly. This approach would also require grandparenting as you would be comparing your emissions to some point in time.

Using a warming approach at the farm level would mean a very high price is applied to any increase in emissions. B+LNZ Economic Service analysis shows that sheep and beef sector that farms have been getting bigger, as they have been consolidating. The paper trail required to prove whether your emissions have increased because you have 'new stock' or someone else's stock would be complex.

Also, while some farms may not have increased in size, they may be using more feed that would increase overall emissions.

GWP* at the farm level would also disadvantage new entrants into the sector or Māori that have under-developed Treaty settlement land that they want to expand production on.

These factors mean B+LNZ does not advocate for the use of GWP* at farm level. We will however monitor future developments in whether GWP* could be applied at the farm level.

Are farmers being asked to calculate emissions numbers using the wrong metric (GWP100)?

No - the He Waka Eke Noa recommendations treat gases separately with unique prices. They do not use GWP100 for the short-lived gas methane - which is priced on its weight only, with no conversion into a carbon equivalent.

Nitrous oxide is converted to a carbon equivalent using GWP100, because it's a long-lived gas. GWP100 is problematic when accounting for short-lived gases.

B+LNZ's support for the science behind the alternative GWP* metric is also reflected in the B+LNZ tools and workshops that have been developed to help our sector reach He Waka Eke Noa milestones.

B+LNZ's GHG Calculator provides two sets of results - it shows the volume of each gas with no metrics or conversion (consistent with, and to support, B+LNZ's long-standing position of a split gas approach) but it also presents results in the commonly used metric of GWP100 (CO₂-e). Converting results to a common baseline means farmers can more easily join the wider conversation about numbers, as these conversations generally use this metric. Its inclusion does not mean B+LNZ endorses the use of the GWP100 metric for short-lived gases, or the current emissions targets.

Is it realistic for B+LNZ to expect the methane reduction targets to be reviewed using GWP*?

We know that the emissions reduction targets will be reviewed in 2024 – this is required in New Zealand's climate change legislation.

There is still some way to go to build awareness and acceptance of GWP* with the Government and officials to ensure it's used to inform the review of the targets. However, this is something B+LNZ and other agriculture sector groups are working on together.

GWP* was new or emerging science when the Climate Change Response (Zero Carbon) Amendment Act became law. It only appeared in an IPCC report in 2021 and was not featured prominently in that report.

Better recognition for on-farm sequestration

Why can't there be better recognition for sequestration through the ETS?

Sequestration is incredibly important to sheep and beef farmers and that's why we've fought so hard to get more recognised under He Waka Eke Noa.

We believe farmers should get better recognition for the genuine sequestration on their farms and that on the day they start to face a price on their emissions, they must be able to get credit for this sequestration.

The ETS currently only includes sequestration that counts towards national emission targets and it strictly follows international rules. This requires much greater research and data on sequestration rates than is currently available and this research will take a number of years.

We'd ultimately like to improve the ETS and will continue to work hard to fix it, but this will take many years and there's a risk that the ETS would never include all the additional sequestration covered in He Waka Eke Noa.

For that reason, we strongly support the inclusion of sequestration in He Waka Eke Noa for now and to work in parallel to improve the ETS.

If sequestration is not supported by the Government in their response to the He Waka Eke Noa proposals, we would need to reconsider our involvement.

Why can't farmers get recognition for all sequestration by pre-1990 native trees?

In order for the Government to support the partnership's sequestration recommendations to reward pre-1990 native vegetation the principle of 'additionality' had to apply – that is, there needed to be some activity above business as usual that increased the sequestration rates, such as stock exclusion or pest control. This was informed by advice from ecologists.

We understand farmer concerns about the amount of recognition they'll receive for pre-1990 sequestration, and whether it will be economically viable to undertake activities such as fencing and pest control in order to access sequestration credits.

There is currently no recognition or reward for pre-1990 native vegetation in the ETS and while not perfect it was a major achievement. Our objective through He Waka Eke Noa is to put in place a framework that can recognise further sequestration that we can improve on over time as research develops.

Will the He Waka Eke Noa recommendations just add to the wholesale planting of exotic trees on farmland?

The He Waka Eke Noa proposals have been designed to not create an additional incentive for conversion of farms to forestry. The focus has been on getting recognition for a wider range of sequestration than is eligible under the ETS – including for natives and riparian planting.

We have for some time been calling for limits on the unbridled ability of fossil fuel emitters to offset their pollution by planting trees on productive sheep and beef farmland. We have been working with partners like 50 Shades of Green and Federated Farmers to get the policies that are incentivising wholesale land use changed.

Farmers know their land best and we see a lot of opportunities for farmers to integrate either exotics or native trees within their farms. We are not against forestry but we will continue to push for policy settings that do not lead to wholesale land use change and the gutting of rural communities. There's a balance to be found and we're working hard on this.

What about other forms of sequestration?

B+LNZ is continuing to lobby the Government to do more research on how much carbon native vegetation and soil sequesters – the He Waka Eke Noa system can accommodate updated scientific knowledge in these areas, and in other forms of sequestration as emerging science is accepted.

Other common questions

Does He Waka Eke Noa work against the goals of the National Policy Statements for freshwater and biodiversity?

No – the recommendations have expressly looked at the proposals' co-benefits for freshwater and biodiversity. The recognition and rewarding of native sequestration including that from riparian planting around wetlands are important features of the He Waka Eke Noa recommendations.

After the first three years, will methane be charged the same price as carbon dioxide in the ETS?

No – under the recommendations the methane price is delinked from the carbon price. That delinking reflects the separate targets in legislation and is one of the key priorities of our work on He Waka Eke Noa. The recommendation is to hold the price for three years before that price is reassessed, not to completely reconsider delinking the methane price from the carbon price.

Will He Waka Eke Noa achieve more than the ETS option would, given the lack of technical mitigation options available?

The He Waka Eke Noa recommendations include the mitigations currently available (such as sheep genetics) and include a process for ensuring the system's calculator can include further mitigations as they come on-stream.

The ETS processor pricing option does not pick up efficiencies in production. All farmers would face the same price per unit of product regardless of how efficiently that product was produced – for example, those with higher lambing percentages would face the same price per lamb as those with lower lambing percentages.

Under He Waka Eke Noa, individual farm efficiencies would be recognised.

What are other countries doing?

New Zealand is not the only country grappling with these issues. Most other countries just have a net zero target for methane, the same as carbon, and in the UK and EU they have a target of a 30 percent reduction in methane by 2030. In some countries like the UK, sheep and beef emissions have already reduced significantly since 1990 and they are still being asked to reduce further. In Ireland, sheep numbers have reduced significantly since 1990, but dairy has gone up and all need to reduce.

He Waka Eke Noa is a world-first approach to measuring and managing emissions and other countries are watching to see what happens. B+LNZ will continue to push for a cautious approach to pricing, in part because we are the first country to do this.

