FACT SHEET

Government consultation on action on agricultural emissions

August 2019

The Government has ramped up its work on addressing climate change. The Climate Change Response (Zero Carbon) Amendment Bill (also known simply as the Zero Carbon Bill), which sets out how New Zealand will meet its commitments under the Paris Agreement on Climate Change and how it will reduce its greenhouse gas emissions, is currently going through the parliamentary select committee process, prior to being passed by Parliament.

At the same time, the Government is already taking steps to set out how New Zealand will implement the Zero Carbon Bill and meet the greenhouse gas emission reduction targets that will be set in law. A key focus is how to reduce emissions of methane and nitrous oxide from the agriculture sector.

Government is currently wanting to hear from New Zealanders on how to reduce emissions from agriculture. The proposals the Government wants views on are contained in the *Action on Agricultural Emissions* discussion document available here.

The decisions the Government is making will have significant implications for the sheep and beef sector, so we encourage you to attend public consultation meetings (dates and venues available here), and to also send in a written submission (details on how to do this available here) by 5pm on Tuesday 13 August 2019.

Have your voice heard—the more participation and submissions from farmers, the better the chances are to influence the Government on these important issues.

This fact sheet explains what the proposals being consulted on are and provides you with some information that you may wish to reflect in your own submission.

What is being consulted on?

The Action on Agricultural Emissions discussion document reflects options from, on the one hand, the Interim Climate Change Committee (ICCC) and on the other hand from Primary Sector Leaders on how to reduce emissions from agriculture. This is an opportunity to have your say on the system that should be used to drive emissions reductions by farmers.

Option 1: Interim Climate Change Committee

Last year the Government established an independent ministerial advisory group, the Interim Climate Change Committee (ICCC) to provide independent advice and analysis on how to best manage reducing emissions from agriculture (including the option for putting a price on emissions under the New Zealand Emissions Trading Scheme).

The ICCC's view is that the best way to reduce livestock emissions is to price them through a levy/rebate scheme at the farm-gate integrated in the New Zealand Emissions Trading Scheme (the ETS), where all farmers will be charged for their livestock emissions.

Estimated costs farmers will face for emissions at farm level are $0.01/kg of beef and $0.03/kg of sheep meat produced.[1] This levy/rebate scheme would not be in place until 2025, largely due to the time and cost it would take to establish such a scheme.

The ICCC suggests that in the meantime agricultural emissions should still be priced as soon as possible, through the current ETS. This cost would be met by processors, who would then either pass the cost on to farmers, or absorb the cost into their bottom line. The revenue generated from this interim measure would be put in a fund, with money to be spent on programmes to support farmers to reduce emissions.

[1]These estimates assume a price of $25 per tonne of emissions and 95% free allocation for the sector as per the Government's commitments. For more information on estimated impacts on farmers and free allocation for agriculture see Appendix 5 of the ICCC's report, available here

Option 2: Primary Sector Climate Change Commitment

At the same time as the ICCC was preparing recommendations, Primary Sector Leaders have developed a proposed government-industry commitment similar to Sector Accords currently in place in the UK. The Primary Sector Climate Change Commitment proposes a 5-year joint sector/government work programme to support and accelerate the on-farm actions necessary to reduce agricultural emissions, and to design a practical and cost-effective system for reducing emissions at farm level by 2025.[2]

Any price on emissions would need to be part of broader measures to support on-farm practice change, set at the margin and only to the extent necessary to incentivise the uptake of economically viable opportunities that contribute to lower global emissions. Another key difference is that this pricing system would not be integrated into the ETS.

The primary sector's proposed 5-year work-plan is aimed at ensuring farmers are equipped with the knowledge and tools they need to deliver emissions reductions while maintaining profitability. This programme of action would be funded through a reprioritisation of existing levy body funds of $25 million per year.

Through this work-plan farmers and growers will be able to calculate their emissions and offsets at the farm gate, assess options to reduce or mitigate their emissions, and have confidence that there is ongoing investment in the pipeline for research and tools. Climate change would be addressed within a whole farm systems approach, recognising that farmers' efforts to reduce emissions sit alongside water quality, biosecurity, biodiversity, animal welfare, and financial sustainability.

The Government wants your views on these options

While the outcome may seem similar (a pricing mechanism to reduce agricultural emissions at the farm-gate level by 2025), the pathways to get there are different.

The Government wants your views on what this pathway should be and is consulting on proposals from both the ICCC and Primary Sector Leaders in the Action on Agricultural Emissions discussion document. We encourage you to read the discussion document and submit your views by 5pm Tuesday 13 August 2019

Suggestions on answers you could reflect in your submission based on B+LNZ's position, are detailed below.

We encourage you to strongly support the primary sector's 5-year programme of action—this is the best way to ensure that achieving reductions of greenhouse gas emissions and building the resilience of our sector stays in our hands.

[2]Primary Sector Leaders are 11 organisations who represent farming interests. See the Primary Sector Climate Change Commitment here.

Questions and suggested answers

What is the best way to incentivise farmers to reduce on-farm emissions?

- Farmers first need to understand what their on-farm emissions are. Farmers must be given the tools and resources necessary to calculate their emissions. Once farmers know what their emissions are they can do something about them.
- Farmers need to be given the tools, knowledge and resources necessary, and then be allowed to decide the best ways possible for their respective farms. Farmers should also be given a chance to offset their emissions, for example by ensuring that they can count the sequestration from all trees on their farms.
- Farmers should be allowed to use trees on their farms to offset methane emissions. There is no scientific basis for allowing offsets for other gasses and not for methane generated on farm.
- Requiring farmers to put their forests into the ETS to claim credits instead of being allowed to offset their emissions at the farm gate means farmers' forests will offset the emissions of the rest of New Zealand.

Do the pros of pricing emissions at farm level outweigh the cons, compared with processor level, for (a) livestock and (b) fertiliser? Why or why not?

- Emissions generated on farm and subject to the conditions and systems specific to that farm should be measured at the farm level. In order to change farm systems in ways that reduce emissions, the farmer who has to manage the complex interactions occurring on farm needs to have a direct control of the outcomes.
- Choosing the apparently cheapest option that ignores the wider costs being imposed on others is poor regulation and does not meet the 'fair and just' test.

What should the Government be taking into consideration when choosing between Option 1: pricing emissions at the processor level through the NZ ETS and Option 2: a formal sector-government agreement?

- Option 2, a formal sector-government agreement is the best way forward for our sector. It is the best to ensure that achieving reductions of greenhouse gas emissions and building the resilience of our sector stays in our hands.
- Option 2 has the advantage of not requiring any 'free allocation', instead focusing on reducing just those emissions that are above the reduction required for methane.
- Option 1, pricing emissions at the processor level and returning the proceeds to assist farmers adapt their farming systems, is cumbersome and comes with costs. Far better for the farmers to keep the money and decide what is best for their farm, rather than others deciding for them. Option 1 prices all emissions per kg of product the same regardless of how efficient the farmer is or how much they have reduced and are reducing their emissions. This will not incentivise behavior change as it becomes just a blunt tax on production.

As an interim measure, which would be best: Option 1: pricing emissions at the processor level through the NZ ETS with recycling of funds raised back to the sector to incentivise emissions reduction or Option 2: a formal sector-government agreement? Why?

- Option 2 is the best option for farmers, because it has sector buy-in to focus on emissions reductions, and not on revenue generating.
- While revenue raised through Option 1 may be redistributed to the sector to achieve emissions reductions in the short-term, there is currently no certainty as to how these funds would be re-distributed and how they might profit individual farmers, in particular farmers who are already doing a good job in reducing their emissions and achieving good environmental outcomes on farm.

What barriers or opportunities are there across the broader agriculture sector for reducing agricultural emissions? What could the Government investigate further?

- It is well recognized that reducing greenhouse gas emissions from livestock is difficult—there are currently limited viable mitigation options and technologies for reducing agricultural emissions.
- Farmers need to be given options and tools to offset their greenhouse gas emissions where it makes good economic sense.
- Opportunities exist to helping the Government and officials understand how on-farm vegetation can be recognised other than through the ETS, since it is not fit for this purpose.

What impacts do you foresee as a result of the Government's proposals in the short and the long term?

- The economic impact on the export earnings of New Zealand as a whole would be significant. Agriculture is a significant part of the country's income, and proposals that allow fossil-derived emissions to be completely offset through blanket tree planting will seriously affect the economy, and reduce the ability of the country to adapt to climate change.
- Current agreements for a 95% free allocation are subject to the Government's Coalition Agreement with New Zealand First. When that agreement lapses the free allocation rate can be reduced at the discretion of the Government. It can be assumed there will be pressure for the free allocation to be removed completely.
- Prohibiting farmers from being able to offset methane emissions with forests on farm will discourage farmers from protecting indigenous forest on the farms and threaten future biodiversity benefits. This approach actively penalises farmers for taking land out of livestock production and putting it into native forests which provide corridors and other benefits for native fauna.

Do you have any other comments on the Government's proposals for addressing agricultural emissions?

- This is your chance to add your own personal story, thoughts and ideas on what the Government is proposing to reduce agricultural emissions, and to price emissions from our sector.