

SUBMISSION

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Submission on: ***Our Climate Our Say*** Discussion Paper for the Zero Carbon Bill

From: **Federated Farmers of New Zealand**

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SUBMISSION TO THE MINISTRY FOR THE ENVIRONMENT ON THE *OUR CLIMATE YOUR SAY* DISCUSSION PAPER FOR THE ZERO CARBON BILL

1. INTRODUCTION

- 1.1 Federated Farmers of New Zealand welcomes the opportunity to provide this submission to the Ministry for the Environment on its *Our Climate Your Say* discussion paper for the Zero Carbon Bill.
- 1.2 Federated Farmers agrees that it is important to set out a clear road map to a low net emissions economy and that it is especially important for the road map to have wide political support. We support the concept of a Zero Carbon Bill and we support it including reference to an emissions reduction target and its provisions for a Climate Change Commission and emissions budgets. We also support the Bill having provisions for adaptation.
- 1.3 Federated Farmers supports the “two baskets” approach that treats long-lived greenhouse gases differently to short-lived greenhouse gases. It is appropriate and logical to treat the different greenhouse gases differently with regard to the emissions reduction target, and to design policies accordingly¹. Federated Farmers supports the focus for emissions reduction being on long-lived gases while short-lived gases are targeted for stabilisation. We therefore welcome the inclusion of such an approach (‘Option 2’) in the discussion paper and consider it to be the best of the three put forward.
- 1.4 That said, Federated Farmers is concerned about the impacts of the various ‘net zero’ options on emissions prices and on GDP, jobs and incomes. While we support action to significantly reduce emissions it should not be at the expense of New Zealanders’ economic and social wellbeing especially as the country grapples over the next 30 years with the major cost implications of an ageing population – without doubt the other major long-term challenge facing New Zealand. We would be concerned if New Zealand was to lock itself into an inflexible approach that disadvantages us more than other nations.
- 1.5 Federated Farmers is mindful of climate change being a global issue and recognises the importance of New Zealand playing its part in global efforts to reduce greenhouse gas emissions. The 2015 Paris Agreement (and its predecessor the Kyoto Protocol) is strong on ensuring food security and not reducing food production.
- 1.6 The New Zealand economy is highly sensitive to global demand for food, with the June 2018 Situation and Outlook for Primary Industries reporting that agricultural exports (i.e., the primary industries less forestry and fishing) were worth \$34 billion in 2017/18, 64% of New Zealand’s total merchandise exports. The agricultural sector also supplies several billion dollars of food produced for domestic consumption. New Zealand’s unsubsidised, but highly efficient, agricultural sector is highly exposed to competition from moderately to highly subsidised producers in other nations².
- 1.7 Successive New Zealand governments have worked hard to remove barriers to trade, including for agriculture. It would be counterproductive for future governments to impose costs on New Zealand producers that would undermine these trade gains. The

¹ This approach is supported by the Productivity Commission’s Low Emissions Inquiry and the previous and current Parliamentary Commissioner for the Environment.

² OECD Producer Support Equivalent show 1% for New Zealand compared to 18% average across the OECD, 21% in the EU and in some countries as high as 60%.

wrong policies could reduce New Zealand's emissions-efficient food production, with that loss of food production being taken up by much less emissions-efficient producers overseas who are not facing the same costs. The net result of that would only worsen climate change.

- 1.8 It is therefore important that New Zealand's climate change policies do not make New Zealand producers unilaterally less competitive relative to overseas competitors. The emissions target should be set taking into account New Zealand's international competitiveness.
- 1.9 Regardless of which 2050 target is chosen, Federated Farmers continue to take the position that agricultural biological emissions (i.e., methane and nitrous oxide) should not come into the Emissions Trading Scheme or other policy mechanism until:
 - Cost-effective mitigation technologies are available to farmers; and
 - Our international trading partners and competitors are taking action to tackle their agricultural biological emissions.
- 1.10 Federated Farmers acknowledges submissions made by its members. We have also seen and we support submissions of other agricultural sector organisations, including Horticulture New Zealand and the Dairy Company Association of New Zealand. Horticulture New Zealand has also asked us to record its support for our submission.

2. SUMMARY OF RECOMMENDATIONS

- 2.1 Federated Farmers recommend that:
 - (a) The Government should set a goal to reach net zero in the second half of the century, with the Climate Change Commission to advise on the specific target for the Government to set later.
 - (b) Of the three 2050 target options proposed, the Government should proceed with Option 2: net zero long-lived gases and stabilised short-lived gases by 2050.
 - (c) The 2050 target and policies to achieve it should seek to maintain and enhance New Zealand's international competitiveness.
 - (d) Regardless of what 2050 target option is chosen, nitrous oxide and methane should not be brought into the emissions trading scheme (or any other policy mechanism) until:
 - Cost-effective mitigation technologies are available to farmers; and
 - Our international trading partners and competitors are taking action to tackle their agricultural biological emissions.
 - (e) If nitrous oxide and/or methane are to be brought into the emissions trading scheme (or any other policy mechanism), any revenue collected from the agricultural sector should be recycled back into the sector in the form of research and on-farm initiatives to assist farmers and growers reduce their net emissions.
 - (f) The broad approach for the emissions reduction target should be included in the Zero Carbon Bill, but the specifics of the target should be developed by the

Climate Change Commission, whose advice is then provided to the Government.

- (g) The Climate Change Commission consult on the treatment of the different gases under the emissions reduction target, including what stabilisation of methane would mean in practice.
- (h) New Zealand should meet its targets through a combination of domestic emissions reductions (including from new forest planting) and trading emissions reductions from overseas (e.g. international carbon units that have climate change credibility).
- (i) The Government should proceed with developing emissions budgets, as proposed in the discussion paper, with sufficient flexibility to respond to technological developments and economic and social conditions.
- (j) The Government should proceed with an independent Climate Change Commission as an advisory and evaluation body with mechanisms to hold governments to account.
- (k) Given the importance of agriculture to its work, the Climate Change Commission should include a representative for practicing farmers.
- (l) The Government should proceed with provisions for climate change risk assessment, adaptation plans, evaluation and review of progress, and adaptation reporting powers.

3. FEDERATED FARMERS, CLIMATE CHANGE AND GREENHOUSE GAS EMISSIONS REDUCTION

- 3.1 The Policy Position on Climate Change adopted by the Federated Farmers National Council in February 2017 establishes the context for this submission.
- 3.2 Climate change is and must be regarded as a global issue. Elevated concentrations of greenhouse gases in the atmosphere that bring climate change risk and the pathways to overall global emissions reductions result from and are dependent on the collective actions of individuals, communities and nations. The 2015 Paris Accord is strong on the vital importance of ensuring food security and not reducing food production.
- 3.3 Federated Farmers considers that New Zealand's pathway to achieving a low emissions economy must adopt a comprehensive approach that reflects an overall least cost approach to emission reductions while avoiding emissions leakage. Greenhouse gas emissions, particularly those associated with agricultural production, transferred to countries with less efficient production systems, will not contribute to achieving an overall global emissions reduction. Rather the opposite in fact.
- 3.4 Federated Farmers also considers that New Zealand's main focus for emissions reduction should be on long-lived gases (mainly carbon dioxide and nitrous oxide). Greenhouse gas emissions reduction should be achieved through measures (including emissions pricing) to encourage greater efficiency and reducing waste in transport, heating, industry and, within the limits of available technologies, agriculture.
- 3.5 Methane, as a short-lived greenhouse gas, remains important to New Zealand's overall emissions reduction response but, unlike long-lived gases, we need not reduce it to

zero or even close to zero. It is important to recognise that significant gains in methane emissions intensity have already been achieved, which has resulted in agricultural methane emissions being only 4% above 1990 levels (and 5% below 2005 levels). Substantial investment in research is targeting the development of effective ruminant methane emissions technologies.

- 3.6 Removal of carbon from the atmosphere by sequestration through the establishment of forests and other woody vegetation, is an important component of a strategy to delivering net emissions reduction. The opportunities for carbon removal into the future are substantial, including: establishment of new commercial forests, farm woodlots, shelter belts, slope stability, erosion control planting and riparian planting.
- 3.7 Federated Farmers believes the focus should be on ensuring that existing carbon removal from all sources are fully accounted for, including relative to other nations. Development of robust and defensible methodologies that are appropriate to New Zealand's unique geography, environment, landscapes etc., together with improvement in land management practices, would enable better accounting for such reduction, and more significantly, enable New Zealanders to transition to low-emissions economy in ways that they are practically capable of achieving.
- 3.8 However, going beyond this, Federated Farmers is very concerned about the potential for climate change policy to drive large-scale land-use change from sheep and beef farming to forestry and the resulting economic and social impacts. Many farmers have seen first-hand devastating economic, environmental and social impacts of large-scale land use change from sheep and beef to forestry. The prospect of further conversion of remaining sheep and beef farming to forestry, and what this would mean for their communities, worries these farmers. Some regions could be particularly hard-hit.
- 3.9 The assumption that foresters will want to plant on marginal land is highly questionable. Resource management, health and safety, and economic factors are all shifting new commercial forestry planting to land that is easy to maintain and harvest and close to transport infrastructure and processing facilities. From a hazard-management perspective, harvesting plantation forestry on steep, highly erodible land, leaves long periods where downstream properties are highly vulnerable to catastrophically destructive and highly costly debris flow damage. This real and ever-present risk is made worse by increasingly severe rainfall events that continue to be experienced as climate change intensifies. This impacts severely on the social, cultural and economic resilience of farming communities, as can be seen from recent events at Motueka and Tolaga Bay.
- 3.10 Within New Zealand's primary production landscape, emissions reduction and climate change adaption are not stand-alone, or single issue, considerations. They are integral to complex production systems and investment cycles. Approaching the design and application of new tools and policy interventions requires a systems-based approach to identifying and enabling interconnected complementary measures and co-benefits. This in turn will foster development of investment and cost sharing methods and schemes, increasing resilience of New Zealanders to a climate-changed future.
- 3.11 The remainder of this submission comments on the key proposals:
 - The 2050 target
 - Emissions budgets
 - The Climate Change Commission
 - Adapting to the impacts of climate change

4. THE 2050 TARGET

- 4.1 New Zealand's current target is a 50% reduction below 1990 levels by 2050. The discussion paper contains three options to replace it:
- Net zero carbon dioxide, which would reduce net carbon dioxide emissions to zero by 2050 (but not other gases like methane or nitrous oxide).
 - Net zero long-lived gases and stabilised short-lived gases by 2050, which would reduce emissions of long-lived gases (including carbon dioxide and nitrous oxide) to net zero by 2050, while stabilising emissions of short-lived gases (including methane).
 - Net zero emissions by 2050, which would reduce net emissions across all greenhouse gases to zero by 2050.
- 4.2 When considering which target to adopt, we agree that it is crucially important to cement a long-term approach that endures political cycles. An enduring approach will need to include consideration of the Paris Agreement (including its discussion on food security), the science of short-lived and long-lived gases, and economic impacts.
- 4.3 We agree with the need for a target that assists rather than impedes the development of a sustainable and productive economy and helps rather than hinders a just and inclusive society. Global, national and local leadership is important and Federated Farmers notes that New Zealand's agricultural sector has been and will continue to be a global leader in innovating practical methods of adaptation. This sector is a natural and logical platform for developing ways of enhancing New Zealand's goals of emissions efficiency and reduction, especially when compared internationally. International competitiveness is another key consideration and maintaining it should be an objective of the legislation.
- 4.4 Given all these considerations, Federated Farmers is mindful of the impacts of the three net zero options, particularly the economic impacts (and resulting social impacts). We want to avoid unnecessary transition-shock from overly ambitious and indefensibly arbitrary targets. Our first preference would therefore be the retention of the current target, tempered with a 'split gases' approach.
- 4.5 If the current target is not acceptable and a net zero target desired, Federated Farmers would prefer it to be achieved over a longer period. 32 years is a short period for potentially dramatic change, especially when it is so dependent on widespread innovation, much of which is speculative. We would therefore prefer the Bill to contain a goal that would set out achieve net zero in the second half of the century. The Climate Change Commission can then work to advise on any specific target(s) for the Government to set later
- 4.6 Recommendation: Federated Farmers recommends that the Government should set a goal to reach net zero in the second half of the century, and the Climate Change Commission advises on the specific target for the Government to set later.**
- 4.7 However, the discussion paper also seeks views on three 2050 options and much of the discussion is around those three options. Of the three, Federated Farmers prefers Option 2 – that is net zero long-lived gases and stabilised short-lived gases by 2050. Contrary to what some might think, we believe that Option 2 would not be without costs for our agricultural sector, and it would be challenging. Methane would need to be held

stable and it would require significant reductions for carbon dioxide (with implications for fuel, electricity and transport costs) and for nitrous oxide.

- 4.8 While supporting an ambitious 2050 emissions reduction target, Federated Farmers continues to emphasise that in the short-term agricultural biological emissions (i.e., methane and nitrous oxide) should not be brought into the emissions trading scheme (or any other policy mechanism) until:
- Cost-effective mitigation technologies are available to farmers; and
 - Our international trading partners and competitors are taking action to tackle their agricultural biological emissions.
- 4.9 While we think that Option 1 could be favoured by many, we acknowledge its approach is not backed by science and would be difficult to justify or defend, including internationally. Option 3 would impose huge costs on our agricultural sector and drive major land-use change within too short a timeframe, and we would strongly oppose it. If chosen, it would be even more important for the conditions under 4.8 above to be followed for both nitrous oxide and methane.
- 4.10 Recommendation: Federated Farmers recommend that of the three options proposed, the Government should proceed with Option 2: net zero long-lived gases and stabilised short-lived gases by 2050.**
- 4.11 Recommendation: Federated Farmers recommend that the 2050 target and policies to achieve it should seek to maintain and enhance New Zealand's international competitiveness.**
- 4.12 Federated Farmers recommend that regardless of what target option is chosen nitrous oxide and/or methane should not be brought into the emissions trading scheme (or any other policy mechanism) until:**
- **Cost-effective mitigation technologies are available to farmers; and**
 - **Our international trading partners and competitors are taking action to tackle their agricultural biological emissions.**
- 4.13 Notwithstanding recommendation 4.12 above, if nitrous oxide and/or methane are to be brought into the emissions trading scheme (or any other policy mechanism), any revenue collected from the agricultural sector should be recycled back into the sector on research and on-farm initiatives to assist farmers and growers to reduce their net emissions. We note that this is provided for in the Labour-NZ First Coalition Agreement.
- 4.14 Recommendation: Federated Farmers recommend that if nitrous oxide and/or methane are brought into the emissions trading scheme (or any other policy mechanism) any revenue collected from the agricultural sector should be recycled back into the sector on research and on-farm initiatives to assist farmers and growers reduce their net emissions.**
- 4.15 The discussion paper also proposes two approaches for setting an emissions target:
- The Government sets a 2050 target in legislation now; or
 - The Government sets a goal to reach net zero emissions by the second half of the century and the Climate Change Commission advises on the specific target for the Government to set later.
- 4.16 This is an important consideration. While setting an approach in legislation now would provide strong direction, if it is too prescriptive or detailed it could lock us into an

approach before it is clear how it could be achieved without severe economic and social impacts. We would therefore support making the legislation relatively high level with the Commission advising on specifics.

- 4.17 However, what we would like to see in the Bill is a commitment to the split gases approach (i.e., Option 2).
- 4.18 Recommendation: Federated Farmers recommends that the broad approach for the emissions reduction target should be included in the Zero Carbon Bill but that the specifics of the target should be developed by an independent Climate Change Commission whose advice is then provided to the Government.**
- 4.19 As of its work on specifics for the emissions reduction target, the Climate Change Commission should also consult on the treatment of the different gases, including working with agricultural sector stakeholders on what 'stabilisation of methane' would mean in practice.
- 4.20 Recommendation: Federated Farmers recommends that the Climate Change Commission consult on the treatment of the different gases under the emissions reduction target, including what stabilisation of methane would mean in practice.**
- 4.21 In terms of meeting the target, Federated Farmers does not believe that it would be appropriate to meet it only through domestic emissions reductions. This would likely have severe economic and social impacts for New Zealanders, both in absolute terms and relative to other nations. We believe that at least some overseas international carbon units should be able to be used to ease the transition and such an approach is also in keeping with climate change being a global issue.
- 4.22 Recommendation: Federated Farmers recommends that New Zealand should meet its targets through domestic emissions reduction (including from new forest planting) and using some emissions reduction from trading overseas (e.g. international carbon units that have climate change credibility).**

5. EMISSIONS BUDGETS

- 5.1 The discussion paper proposes that the Zero Carbon Bill should have provisions for emissions budgets. These budgets would be set providing for how much greenhouse gases will be able to be emitted over periods of time, e.g., five or six years, along the journey to 2050.
- 5.2 Federated Farmers agrees with the concept of emissions budgets. It makes sense for them to be set 10-15 years in advance in five year periods. They should definitely be able to be reviewed depending on progress being made, economic and social conditions, and other factors (such as technology) and be flexible enough to be amended depending on developments. We agree that it will be an important accountability measure for governments to set out plans to meet the budgets.
- 5.3 Recommendation: Federated Farmers recommends that the Government should proceed with emissions budgets, as proposed in the discussion paper, with sufficient flexibility to respond to technological developments and economic and social conditions.**

6. CLIMATE CHANGE COMMISSION

- 6.1 Federated Farmers supports the establishment of an independent Climate Change Commission to provide expert advice and help hold governments to account. We note that the concept has been supported by the previous and current Parliamentary Commissioners for the Environment and by the Productivity Commission.
- 6.2 We agree that its role should be that of an advisor and evaluator (rather than a decision-maker), with decisions to be made by governments which are democratically accountable to the electorate. While preferring it to have an advisory role, we do agree governments should be required to publicly respond to its advice and provide rationale when it deviates from that advice.
- 6.3 Recommendation: Federated Farmers recommends that the Government should proceed with an independent Climate Change Commission as an advisory and evaluation body with mechanisms to hold governments to account.**

7. ADAPTING TO THE IMPACTS OF CLIMATE CHANGE

- 7.1 Farmers and growers have a long history of innovation and adapting to seasonal and annual variability in climate-related conditions, including coping with extreme events. The challenge farmers will face is increased range in that variability, changes to baseline rainfall and temperatures, and an increase in the frequency of extreme weather and climate-related events. These highly disruptive events already threaten the social, cultural and economic resilience of farming communities.
- 7.2 Federated Farmers agrees that it is important to have plans in place to help New Zealand adapt to the impacts of climate change and transition to a low-emissions future. We agree that an independent Climate Change Commission can play a role in providing advice on climate change risk assessment, adaptation/transition plans, and to evaluate and review progress.
- 7.3 We are not opposed to organisations that own public infrastructure or who deliver public services being required to provide information on action being taken on climate change risk management, provided it does not result in unduly high administrative and compliance costs that would be passed on to consumers.
- 7.4 Recommendation: Federated Farmers recommends that the Government should proceed with provisions for climate change risk assessment, adaptation plans, evaluation and review of progress, and adaptation reporting powers.**

8. ABOUT FEDERATED FARMERS

- 8.1 Federated Farmers is a member based organisation that represents farmers and other rural businesses. Federated Farmers has a long and proud history of representing the needs and interests of New Zealand's farmers.
- 8.2 The Federation aims to add value to its members' business. Our key strategic outcomes include the need for New Zealand to provide an economic and social environment within which:
- Our members may operate their business in a fair and flexible commercial environment;

- Our members' families and their staff have access to services essential to the needs of the rural community; and
- Our members adopt responsible management and environmental practices.