SUBMISSION ON ‘ACTION ON AGRICULTURAL EMISSIONS’ PROPOSALS

13 August 2019
Overview

Aotearoa has the opportunity to adopt a knowledge-based policy package to bring agriculture within the New Zealand emissions trading scheme (NZ ETS) framework in the form of the Interim Climate Change Committee’s (ICCC) recommendations (Option 1).

New Zealand ratified the Paris Agreement in 2016, committing to “[pursue] efforts to limit the temperature increase to 1.5°C above pre-industrial levels, recognizing that this would significantly reduce the risks and impacts of climate change”.¹

The Climate Change Response (Zero Carbon) Amendment Bill 2019 (Zero Carbon Bill) currently before Select Committee is anticipated to enshrine that target in law.

Given that around one half of New Zealand’s emissions are from agriculture, we will not be able to achieve these objectives and targets without addressing agricultural emissions.

Climate change is a global emergency, and keeping warming below 1.5°C will demand a global economic transformation of unprecedented scale – and a global transformation in land use.²

This transition must start now, not in 2025. Every year that we delay action only serves to increase costs of mitigation and adaptation and force exponentially more abrupt, disruptive, risky decarbonisation pathways.

The alternative is an unprecedented crisis – for people, for business, and for nature.

The difference between 1.5°C and 2°C is the difference between 70-90% of coral reefs dying and over 99% dying; the difference between tens of millions of people and hundreds of millions of people being driven from their homes; and potentially even the difference between existence and non-existence for some of our neighbouring Pasifika states.³

Further, as the Intergovernmental Panel on Climate Change (IPCC) has confirmed this month, people like farmers who depend on the land for their livelihoods will face some of the most significant impacts of climate change.⁴

The NZ ETS is “the Government’s main tool for meeting domestic and international climate change targets”⁵. Consequently, to address agricultural emissions, it is critical to bring them within the NZ ETS framework – and to do so in a way that is fair to farmers and other New Zealanders, and that encourages continual improvement in on farm mitigation.

We all need to do our bit, starting now. That’s why we support Option 1 in this consultation, and urge the government to set out a timetable for phasing out free allocations after 2025.

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³ Examples taken from Intergovernmental Panel on Climate Change Global Warming of 1.5 °C (October 2018) <https://www.ipcc.ch/sr15/>.
Executive Summary

We recommend that the Government:

(a) price livestock emissions at the farm level as soon as possible, and no later than 2025;

(b) price fertiliser emissions at the processor level as soon as possible, and no later than 2025;

(c) in the interim:

(i) legislate a process to implement a price on livestock emissions by at the farm level as soon as possible and no later than 2025;

(ii) price livestock and fertiliser emissions at the processor level via the NZ ETS as soon as possible; and

(iii) investigate other opportunities for on farm mitigation.

(d) set a clear, transparent public timetable for phasing out the proposed 95% free allocation rapidly after 2025.

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WE RECOMMEND THAT THE GOVERNMENT:

1. **Price livestock emissions at the farm level as soon as possible, and no later than 2025**

   We generally agree with the issue outlined at page 7 of the discussion document. Voluntary efforts have not so far been sufficient to drive emissions reductions. Agricultural emissions should therefore be brought into the NZ ETS framework as soon as possible.

   During 2018 and 2019, we engaged with the ICCC’s consultation processes. We commend the ICCC on the depth of its engagement with affected industries and communities in particular. However, as recognised the ICCC itself, it (and the Climate Commission) “needs to engage widely, early and meaningfully with environmental non-governmental organisations” to more fully inform future work. Consequently, we consider that the ICCC’s recommendations may at times not fully reflect the urgency of the transition needed – particularly in light of the IPCC’s *Climate Change and Land* report released last week.

   Further, in the recent consultation on the Zero Carbon Bill, we also submitted that the proposed 2030 and 2050 targets were insufficient to achieve the ultimate objective of the Paris Agreement or the draft purpose of the Zero Carbon Bill. That makes it even more critical that we address farm sector emissions.

   Ultimately, we are all in this together. All sectors must do their bit. It is not equitable to exclude one sector from the primary carbon price mechanism that other sectors are exposed to. This is also likely to lead to inefficient distortions of the market and perverse incentives.

   We concur with the Government’s and the ICCC’s reasoning for proposing to price livestock emissions at the farm level not processor level.

   For these reasons, we consider that the 2025 timeline should be considered as a final deadline, and Government should pursue efforts to integrate livestock into the NZ ETS earlier.

   It may also be necessary to implement a range of regulatory measures alongside price measures, alongside support for innovation and research.

2. **Price fertiliser emissions at the processor level as soon as possible, and no later than 2025**

   We agree that fertiliser emissions are best addressed the processor level.

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6 Interim Climate Change Committee *Action on agricultural emissions* (30 April 2019) 

7 Intergovernmental Panel on Climate Change *Climate Change and Land* (August 2019) 
   <https://www.ipcc.ch/report/srccl/>
3. **In the interim, legislate a process to implement a price on livestock emissions by at the farm level as soon as possible and no later than 2025 (Option 1)**

We agree that the Government should legislate this process now, and concur with the proposed steps, with the caveat that if the process can be accelerated it should be accelerated.

4. **In the interim, price livestock and fertiliser emissions at the processor level via the NZ ETS as soon as possible**

We support **Option 1**, because New Zealand needs a meaningful price on agricultural emissions urgently.

This was the option recommended by the ICCC, and the Government should be guided by the ICCC’s expert advice. This is particularly important now, as the Government’s response to ICCC advice will impact how the public and the market perceives the Climate Commission’s initial advice. We fully agree with the ICCC’s reasons set out at page 15 of the discussion document.

While it is heartening to see industry representatives proposing a pathway to emissions pricing, their alternative proposal (**Option 2**) appears unlikely to drive meaningful emissions reductions before 2025. This would make it necessary to cut emissions more drastically after 2025 to achieve the 1.5°C objective, likely at greater cost and with greater social and other disruption.

Further, it is simply inequitable to exclude one sector’s emissions from the NZ ETS in favour of a voluntary scheme while pricing other sectors’ emissions.

5. **In the interim, investigate other opportunities for on farm mitigation**

We agree that there may be other methods for on farm mitigation, and that it is important to ensure that meaningful on farm mitigation efforts are factored in under the NZ ETS and otherwise supported.

The ICCC’s comment around gene science raises difficult questions. Globally, WWF considers genetic modification questions on a case-by-case basis. We have not yet formed a view on this particular issue, and consider that a much wider public dialogue would be appropriate before any change to the existing rules on gene science.
6. **Set a clear, transparent public timetable for phasing out the proposed 95% free allocation rapidly after 2025**

To put New Zealand on an emissions trajectory consistent with limiting warming to 1.5°C, we will need to cut farm sector emissions at rates that exceed that modelled with a 95% free allocation.

While the method of implementing this free allocation has a considerable impact, it will be critical to phase them out rapidly to achieve greater annual emissions reductions.

**Summary of consultation questions and answers**

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

   Implement a price on emissions as soon as possible, at the farm level for livestock emissions and at the processor level for fertiliser emissions.

   It may be necessary to couple this with a package of regulatory measures.

2. **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?**

   (a) Yes. There are significant differences in emissions farm-to-farm, and pricing livestock emissions at the farm level is likely to lead to greater emissions reductions.

   (b) No. The Government should follow the ICCC recommendation.

3. **What are the key building blocks for a workable and effective scheme that prices emissions at farm level?**

   Environmental integrity to drive emissions reductions, combined with suitable support measures to facilitate a Just Transition.

4. **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?**

   The primary consideration should be achieving the objective of limiting warming to 1.5°C, and so driving meaningful emissions reductions before 2025.

5. **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 1, because it is more likely to lead to meaningful emissions reductions and more equitable between sectors.
6. **What additional steps should we be taking to protect relevant iwi/Māori interests, in line with the Treaty of Waitangi?**

More is needed to reflect Te Tiriti o Waitangi at all levels. Tangata whenua are likely to be significantly impacted by climate change. We encourage the Government to pay particular regard to the Iwi Chairs Climate Change Spokesperson and other tangata whenua climate organisations, such as Te Ara Whatu, on this issue.

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

The government should investigate ways to better support on farm mitigation with ecological integrity.

8. **What impacts do you foresee as a result of the Government’s proposals in the short and the long term?**

The proposals will incentivise emissions reductions, but not as rapidly as needed to limit warming to 1.5°C.

9. **Do you have any other comments on the Government’s proposals for addressing agricultural emissions?**

The key guiding principle must be limiting warming to 1.5°C.

A. **Do you agree that the method for free allocation of emissions units at processor level should be output-based? Why or why not?**

No comment.

B. **Do you agree that free allocation of emissions units should be provided at the same time emissions obligation are due? Why or why not?**

No comment.

C. **Do you agree with the ICCC that allocation factors should be updated in line with business-as-usual improvements in emissions intensity? Why or why not?**

Yes, for the reasons outlined by the ICCC.

D. **Do you agree the process for making decisions on any phase down of free allocation of emissions units should be set in legislation and informed by the Climate Change Commission? Why or why not?**

Yes. It is critical to set a transparent, predictable timeframe to phase out all free allocations in the NZ ETS.
**How WWF-New Zealand can assist**

WWF-New Zealand is part of a global network with offices in over 110 countries. We work to turn New Zealanders’ passion for the natural world into action, to help unlock a future where people thrive in harmony with nature.

In New Zealand and overseas, we bring together people, businesses, and governments to create innovative, knowledge-based solutions. We are members of the Climate Leaders Coalition and one of the partner organisations behind the Science Based Targets Initiative.

We can draw on our global community of experts. Our global climate and energy work is led by Manuel Pulgar-Vidal, who was the President of COP20 in 2014.

If we can provide any further information or assistance, please contact us.

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