

Te Urunga o Kea submission on Action on Agriculture Discussion document 2019

Te Urunga o Kea – Te Arawa Climate Change Working group works across Te Arawa to ensure the *survival and sustenance of future generation of Te Arawa*.

We will do this by applying our way of knowing and looking to our values as Te Arawa to guide us in our decision making and actions.

We want to acknowledge the resilience, the vision and the innovation of our people of Ngati Ohomairangi who left Rangiatea to ensure future generations would thrive and flourish in a new land .

We have likened Climate Change to Te Korokoro o Te Parata – the chaos, confusion and crisis that beset our people on their journey. We memorialise Kea who called to her husband Ngatoroirangi to spare the lives of those aboard in the name of our roopu Te Urunga o Kea - the call of the people.

We bring to life the characteristics and values that make us Te Arawa - Mai Maketu ki Tongariro, Ko Te Arawa te waka, Ko Te Arawa mangai-nui upokotutakitaki – Te Arawa the determined people; and we celebrate this to anchor our people in who they are – knowing they are innovative, resilient and can adapt.

Te Arawa maintain rangitiratanga over our lands and waters and assert our role as kaitiaki.

This is the context within which we respond to the Discussion document *Action on agricultural emissions*

Under the Paris Agreement Climate Accord (**Paris Agreement**)¹, New Zealand agreed to reduce greenhouse gas emissions by 30% below 2005 levels by 2030. The reduction target is in response to the central aim of the Paris Agreement to “strengthen the global response to the threat of climate change by keeping a global temperature rise this century well below 2 degrees Celsius above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5 degrees Celsius”.

In response to Paris Agreement the Government introduced the Climate Change Response (**Zero Carbon**) Amendment Bill² to Parliament. The Zero Carbon Bill recognises different impacts of greenhouse gasses and sets a separate target for biogenic methane emissions of 10% below 2017 levels by 2030 and a reduction of 24–47% by 2050. The target for long lived greenhouse gasses of carbon dioxide and nitrous oxide emissions must get to net zero by 2050.

Currently there is no national-level policy in place to reduce agricultural emissions³. However, the emissions from all other sectors are priced through the New Zealand Emissions Trading Scheme (**NZ ETS**). To address gaps in emissions reduction policy, the Government set up the Independent Interim Climate Change Committee (**ICCC**) in 2018. On 30 April 2019, the ICCC presented its final report “*Action on agricultural emissions: Evidence, analysis and recommendations*”⁴ to the Minister

¹ The Paris Climate Accord (Paris Agreement) was agreed at COP21 in December 2015 and came into force in November 2016.

² <http://www.legislation.govt.nz/bill/government/2019/0136/latest/whole.html>

³ Agricultural emissions, methane and nitrous oxide, make up about half of New Zealand’s reported emissions.

⁴ Interim Climate Change Committee (2019) - Action on Agricultural Emissions: Evidence, analysis and recommendations

of Climate Change. The Government released the Action on Agricultural Emissions discussion document on 16 July 2019. Submissions close on 13 August.

Background

Key points

New Zealand has committed to reducing greenhouse gas emissions by 30% below 2005 levels by 2030. This includes the targets for long lived greenhouse gasses of carbon dioxide and nitrous oxide emissions —must get to net zero by 2050— and two-staged target for biogenic methane emissions —10% below 2017 levels by 2030 and 24–47% by 2050—.

The body of scientific evidence demonstrates that we have a rapidly changing climate. This necessitates a national-level response to reducing the emission of greenhouse gasses to meet New Zealand’s commitments under the Paris Agreement.

The submission made by Te Urunga o Kea on the Zero Carbon Bill sought a higher reduction (20%) for biogenic methane by 2030 and the 24-47% reduction by 2040. This sets a more ambitious target and therefore compels any action to be focussed and immediate.

Treaty Partnership

A key aspect of this submission is to highlighted need for treaty based model of partnership that will result in real initiatives and real change on the ground.

This model would establish a mechanism for engaging with iwi/māori on the development and implementation of Climate Change policy across a range of issues. This partnership would be the interface for iwi/māori between the Climate Commission and the Minister.

In respect to the Action on Agriculture policy proposals this means the following;

1. All allocation and pricing methods will be developed applying co-design and co-production
2. Resourcing existing iwi/māori organisations to engage with and provide support to landowners.
3. It is also essential to note that iwi/māori are not in position to leave their land or their community and the impacts of policy become intergenerational. This policy must enable and support the practice of ahi kaa as an expression of tino rangtiratanga and kaitiakitanga.

Inclusion of Agriculture emissions in the NZ ETS

Te Arawa landowners are already leading the way in reducing the impact of agriculture on the environment, particularly in the Lake Rotorua Catchment. Farmers already highly engaged in water quality policy and land use change through the Lakes Programme and Incentives scheme established in 2016. Farmers in the Rotorua catchment have a Farm Environment Plan and are working toward nitrate leaching targets with a sustainable load for the Lake to be achieved by 2032.

The key components of this change being successful are the setting of a target, taking a systems approach including rules and incentives and providing the right level of support at the farm level.

Arawa experience in the nutrient management context has been that it takes approximately 5 years to make the change at farm level. This aligns with a 2025 timeframe to get the agricultural emissions into the ETS but these needs to be immediate.

Options that require voluntary actions, best practice and capping alone were not successful in achieving the level of change needed to address the scale of the issue in respect of nutrient discharge reductions.

Key points

General – The introduction of agricultural emissions into the NZ ETS should be supported.

Greenhouse gas related emissions from all other sectors are currently priced through the NZ ETS. If agricultural emissions were not introduced into the NZ ETS, the ability of the Government to incentivise the reduction of biogenic methane and nitrous oxide gas emissions would be significantly reduced.

Pricing options - Farm level or Processor level?

Given that emissions reduction target are not catchment or location sensitive, the nuances associated with a reduction scheme are different. The nuances for consideration in this context is the (lack of) reach of the Crown to māori landowners particularly in rural communities, the previous contribution of māori land as carbon sinks, the challenges of undeveloped land and the opportunity for land use change to continue to contribute to emissions management.

The IPCC report proposes a hybrid approach of land-based and output-based methodologies to: (i) slow the pace of change to avoid significant social impacts in rural communities; (ii) avoid disadvantaging farmers who have reduced to low-emission systems; (iii) provide strong rewards for farmers who improve their emissions intensity; (iv) avoid encouraging increased production; and (v) protection against emissions leakage. Iwi need to be engaged in the conversation around initial allocation of farm-level emission units.

Key points

General – The Treaty of Waitangi places responsibilities on the Government that are relevant to how the transition to pricing emissions at farm level is supported.

Given the statements made in the discussion document on the Treaty Partnership and good faith, it is beholden on the Crown to co-design and co-deliver the model or mechanism of Partnership. Te Urunga o Kea promotes the resourcing of existing iwi/māori organisations to engage with the sector and in particular rural communities.

Proposal 1 – The pricing of biogenic methane (livestock) emissions at the farm-level from 2025 is supported.

Proposal 2 - Price fertiliser emissions at the processor level from 2025 is supported at this time.

The methodology for initially allocating farm-level emissions of biogenic methane is critical. The IPCC report proposes a hybrid approach of land-based and output-based methodologies that is not included in the discussion document. We support a hybrid approach.

The pricing proposal that best suits the concerns raised and the need to encourage a change in

behaviour and practice is the farm level pricing combined with the processor level emissions option; it ensures that any land that is not emitting but acting as a sink can have the contribution acknowledged and pricing at processor level will shift behaviour associated with the use of fertilisers on farm and drive down the intensity of land use. Once this shift has been made the ongoing farm emission pricing is available.

The finalisation of the initial allocation mechanism must be undertaken with Iwi input at the design phase as per the Treaty Partnership model presented.

Key point

Proposal 3 – Support legislating the milestones (and necessary staging) to implement farm-level pricing of biogenic methane emissions.

As per the point above must be implemented through a Treaty Partnership mechanism.

Proposal 4 - What to do between 2021 and 2025 ?

The IPCC report and the discussion document set out the pathway to price biogenic methane emissions at the farm-level, and initially at the processor-level, will be complex, challenging and take approximately 5-years. The discussion document sets out two discrete options:

Option 1

Proposal 4, Interim Option 1: pricing livestock and fertiliser emissions at processor level via the NZ ETS, with:

- a. 95 per cent free allocation
- b. an action plan that sets out steps for implementing farm-level pricing
- c. recycling of funds raised back to the sector to incentivise emissions reductions and support implementation of the action plan (approximately \$47 million per annum).

Option 2

Proposal 4, Interim Option 2: a formal sector-government agreement including:

- a. a programme of action to support farm emissions reductions and progress for implementing farm-level pricing
- b. industry resourcing and funding to a level necessary to implement the programme of action (including the reprioritisation of existing levy body funds of \$25 million per annum over the five-year period).

Source: Action on Agriculture Emissions discussion document

Te Urunga o Kea expressed some concern that the 95% free allocation is protecting a wealthy sector at expense of taxpayer including many Māori. The subsidisation of this sector by the wider community and in particular the disproportionately number of māori who are in poverty was raised as a significant concern with this policy.

There is concerned that the phase down of free allocation from 2021-2025 is not discussed in Option 1 (or 2). This needs to be transparent and/or the process for determining this is transparent at the beginning of this process. Phase down plans are in place for other emitters and this needs to be outlined more clearly between now and 2021 and 2025 and then beyond 2025.

There was also concern that the agriculture sector is lulled into a false sense of security by only having pricing at the processor level in the NZ ETS. There will be a greater price shock at the 5-10 year mark as the sector attempts to meet the targets. The discussion document does not clearly state what might happen to costs with a higher carbon price than \$25.

Key points

Proposal 4 – Option 1 should be supported as being the preferable interim position whereby biogenic methane emissions are priced at the producer-level from 2021-25, based on a 95% free allocation with revenue recycled back into incentivising further reductions and funding the development of implementation tools for farm-level pricing in 2025.

The phase down of the 95% allocation needs to be clearer and made transparent and included in the policy settings. A Treaty Partner model to establish this phase down is required.

Option 2 is not supported. This option has less certainty and therefore creates further intergenerational burden.

It is considered a soft approach now will result in significant challenges to meeting the targets set under the Zero Carbon Bill in future and removes the responsibility of action from the current land owner/or land manager who has already derived the benefit.

The resulting resources and investment opportunities that this policy enables are supported whereby they;

1. Provide a direct benefit to farmers to reduce their emissions by improving farm management, diversifying land use, and applying technological improvements to manual processes, or data management, exploring markets and supply chains, creating high value products.
2. Research into tools, systems and technologies that improve our ability to measure, monitor and analyse emissions across the Agriculture sector. Noted use of Ecological Outcome Verification (EOV) as way of capturing progress (particular around soils).

Investment in the following areas is not supported and investment of taxpayer resources is considered inappropriate for;

3. Technology or biological controls and interventions to farm animals that interfere with their normal biological functions– i.e. vaccines, Genetic modification, inhibitors.

Proposal 5 - Investigate other opportunities and barrier for on-farm greenhouse gas mitigation

The IPCC report and discussion document provide an avenue to explore what opportunities and barriers may exist for on-farm greenhouse gases.

The recognition of carbon sequestration through the planting of vegetation —whether retirement planting, afforestation, conservation planting, shelter belts etc— is an opportunity to incentivise marginal land to be retired in a way that minimises the loss of productive potential as the farm-level. An opportunity that requires exploration is the benefits of on-farm vegetation that was historically planted. This would recognise the vision of those land managers in retiring productive land.

A special case must be made for blocks of undeveloped Māori land that provide a service to the climate through long-term sequestration of carbon and not supporting ruminant production. The

discussion document and ICCC report do not consider undeveloped Māori land as part of the wider management complex required to achieve the 2030 and 2050 targets. The reality is, without the service to the climate that these blocks provide; New Zealand would be in a far worse position. It is for this reason that the multiple owners of undeveloped Māori land should be financially rewarded.

Submission content

Proposal 5 – The recognition of carbon sequestration through the planting of vegetation —whether retirement planting, afforestation, conservation planting, shelter belts etc— is an opportunity to incentivise marginal land to be retired in a way that minimises the loss of productive potential as the farm-level.

A special case must be made for blocks of undeveloped Māori land that provide a service to the climate through long-term sequestration of carbon and not supporting ruminant production. Undeveloped Māori land is an important component of the management complex to achieve the 2030 and 2050 targets. Proposal 5 should explore how the multiple owners of undeveloped Māori land can be financially rewarded for their contribution to protecting the climate.

This should include in the long term wetlands and undisturbed soil on undeveloped māori land bloakc.

How and When do you determine the 95% free allocation (Decision A and B)?

If Option 1 of Proposal 4 is selected, then determining precisely ‘how’ the 95% free allocation is determined is important. The discussion document sets out two methodologies and proposes using an output-based allocation methodology. This means for the 2021-25 period, the number of emission units that would apply to processors (e.g., what is required to be paid) is based on the level of production as an average across each sector annually. The rationale for selecting an output-based allocation method is that reductions made by individual farmers —that supply a producer— could be captured in the annual allocation of emissions units and means the processor would need to pay less. This appears to be a sensible interim approach.

The other matter is ‘when’ the 95% free allocation at the processor-level is determined. The discussion document proposes to calculate 95% free allocation [using the output-based methodology] at the same time as the emission unit obligations fall due. This means the processor will balance the 95% free allocation against the annual sector production with the balance being the emission units to be paid. The rationale provided by the ICCC report suggests alternate timing of releasing 95% free allocation units could create a volatile market. However, given the low number of producers participating in the NZ ETS, it is unclear what level of market volatility would occur in the interim 2021-25 period?

Submission content

Decision A - The use of the output-based allocation methodology to determine the 95% free allocation in the 2021-25 period should be supported.

Decision B - The 95% free allocation should be determined annually at the same time period [the same day] as the producer-level emission unit’s fall due.

Support for Māori land

Te Urunga o Kea raised the need for more work to put in place the necessary structures and resources to manage the transition of Māori land that is used for farming. In the development of the Te Arawa response to Climate change; Land use change, food and water security and Circular economy have emerged as key priorities for future focus. The incentives and targeted activity to support these aspirations will be required, not only in Te Arawa rohe, but elsewhere to ensure this transition based on our own aspirations is enabled.

In a situation where by significant areas of freehold Māori land and general freehold land are currently farmed by ahu whenua Trusts and Incorporations these Trusts and Incorporations will be subject to: (i) paying for emissions at the processor-level [from 2021-25]; (ii) mandatory reporting emissions [by 2024]; and (iii) paying for their emissions and can receive credits for reductions [by 2025] and receiving 95% free allocation of emission units and benefit from incentives to reduce emissions further.

Multiple owned Māori freehold and leasehold land faces a range of complex barriers that freehold title land does not face. During the 2021-25 interim period where biogenic methane emissions are priced at the processor-level, a proportion of the revenue generated should be earmarked and targeted at assisting Māori land used for agricultural purposes to transition to lower emission agricultural practices and land uses.

Note the ICCC report includes useful information on the use of freehold Māori land and general freehold land for agricultural production and the challenges faced by iwi, hapū, ahu whenua Trusts and Incorporations.

Key points

Supporting transition on Māori land - During the 2021-25 interim period where biogenic methane emissions are priced at the processor-level, a proportion of the revenue generated should be earmarked and targeted at assisting Māori land used for agricultural purposes to transition to lower emission agricultural practices and land uses.

The Treaty Partnership mechanism is required to design and deliver this approach.

Rewarding undeveloped Māori land

The discussion document focusses exclusively on the reduction of agricultural emissions from land used for ruminant based primary production. Notwithstanding the option to price fertiliser emissions at the producer-level (to reduce nitrous oxide) from 2025, the allocation of units to emit biogenic methane at the farm-level from 2025 effectively sets a cap. The targets at 2030 and 2050 set a sinking lid for the reduction of biogenic methane emissions based on retiring those units over time. If initial allocation of emission units is based on a hybrid approach of current emissions of biogenic methane (output-based) and land use suitability (or similar land-based methodology), undeveloped Māori land will receive no allocation of units. Therefore, undeveloped land with no allocation of units has no ability to develop without acquiring units through purchasing land with available units (and [if available] transferring those units). However, as a sinking lid policy to achieve the 2030 and 2050 target, it is improbable that transfer of units is envisaged.

In respect of the land that is subject to initial allocation, a grand parented approach to allocation of emission units (that excludes undeveloped Māori land) does not recognise the “service to the climate” that undeveloped Maori land provides (eg, by not being used for ruminant production and

applying nitrogen based fertiliser). This is a perverse outcome where the land that is used for ruminant production is rewarded for contributing to a rapidly changing climate, whereas the land that provides a service to the climate (e.g., long-term sequestration of carbon, no ruminant production etc.) is not financially recognised in the same way.

A more equitable situation is required for undeveloped Māori land to either receive a share of initially allocated units for biogenic methane and nitrous oxide that can be cashed out.

Key points

Rewarding undeveloped Māori land - If initial allocation of emission units is based on a hybrid approach as set out in the ICC report —but not captured in the discussion document—, undeveloped Māori land will receive no allocation of emission units. This is not acceptable and inequitable.

The exclusion of undeveloped Māori land is, in effect, a grand parented allocation regime based on land that is developed for ruminant production and does not recognise the “service to the climate” that undeveloped Māori land provides.

This is a perverse outcome where the land that is used for ruminant production is rewarded for contributing to a rapidly changing climate, whereas the land that provides a service to the climate (eg, long-term sequestration of carbon, no ruminant production etc.) is not financially recognised in the same way.

A more equitable situation is required for undeveloped Māori land to either receive a share of initially allocated units for biogenic methane and nitrous oxide that can be cashed out and/or have incentives to maintain the “no emissions” and be rewarded for acting as a sink or offset.

The Treaty Partnership mechanism is required to navigate this sensitive and complex matter.

Appendix 1 - Members of the Te Urunga o Kea participating in this process

- Nicki Douglas
- Isabel Morehu
- Harina Rupapera
- Mariana Te Rangi
- Rebecca Wright
- Tina Ngatai
- Lani Kereopa
- Donna Awatere-Huata
- Eugene Berryman-Kamp