TO THE
MINISTRY FOR THE ENVIRONMENT
ON THE
Action on Agricultural
Emissions discussion
document
BY
Beef + Lamb New Zealand Ltd
SUBMISSION TO THE MINISTRY FOR THE ENVIRONMENT ON THE ACTION ON AGRICULTURAL EMISSIONS DISCUSSION DOCUMENT

Submission on Government proposals to manage
Green House Gas Emissions from agriculture

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Beef + Lamb New Zealand Ltd is available to provide further information to officials on this submission if required.
INTRODUCTION

1. B+LNZ welcomes the opportunity to submit its views on the proposals contained in the Action on Agricultural Emissions discussion document.

2. B+LNZ is an industry-good body funded under the Commodity Levies Act through a levy paid by producers on all cattle and sheep slaughtered in New Zealand. Its vision is ‘Profitable farmers, thriving farming communities, valued by all New Zealanders’.

3. The sheep and beef sector is essential to maintaining the vibrancy of rural communities and their cultural, societal, and environmental wellbeing, as well as contributing regionally and nationally to the country’s economic wellbeing. The New Zealand sheep and beef sector’s total value of production was $10.4 billion in 2018, with exports worth over $9 billion and domestic sales worth $2.9 billion. The sector has 80,000 employees, 59,000 of those are directly employed and an additional 21,000 are indirectly employed. The sector exports over 90 percent of its production and is New Zealand’s second largest goods exporter and New Zealand’s largest manufacturing industry. The health and wellbeing of the sheep and beef sector within New Zealand is important to the economy of the country, and in supporting rural communities.

4. B+LNZ is actively engaged in environmental management, with a particular emphasis on building farmers’ capability and capacity to support an ethos of environmental stewardship, as part of a vibrant, resilient, and profitable sector based around thriving communities. Protecting and enhancing New Zealand’s natural capital and economic opportunities and the ecosystem services they provide is fundamental to the sustainability of the sector and to New Zealand’s wellbeing for current and future generations.

5. The sheep and beef sector understand the importance of keeping temperature rise within prescribed limits as critical to the wellbeing of New Zealand and the world as we currently know it. As Kaitiaki of their land and the natural resources it is home to, sheep and beef farmers are at the forefront of the impacts of climate change. Farmers are already seeing those changes on an everyday basis and are already adapting their management. They will continue to do so, as they have adapted to changes in the past.

6. Farmers, and sheep and beef farmers have an in-built capacity for change. The shifts in the industry in the 1980s when subsidies were removed and farming businesses were restructured are an extreme example, that saw new farming systems develop to maximise economic opportunities within the constraints of the natural environment. However, the policy changes of the 1980’s were not without significant costs to the industry, farming businesses, and the rural communities they supported. These changes, at the less extreme end, saw sheep and beef farmers adapt to climatic, societal, consumer and regulatory requirements, provided there was the flexibility and time to do so.
7. Since 1990\textsuperscript{1} sheep numbers have reduced by over 50%, while the volumes of production are just 8% less. This has been achieved through a range of improvements, termed eco efficiency gains, including improved genetics and breeding, feed management, reproductive rates, and increased individual animal size. Beef cattle numbers likewise have reduced by around 20% since 1990\textsuperscript{2}. These reductions in capital stock while improving productivity has resulted in not only improvements in environmental performance such as 21\% reduction in nitrate leaching per kg saleable product, but has been accomplished while the sector has increased its exports by 83\% to over $9 billion.

8. As a result, absolute GHG emissions from the sheep meat sector are 40\% less than they were in 1990, for 8\% less product produced, and for the beef sector including dairy beef is 10\% less than 1990 levels. Collectively, the sheep and beef sector GHG emissions are 30\% lower than in 1990. The emissions intensity (emissions per kg of product) continues to improve at the rate of about 1\% per year since 1990. However, it is important to note that there are biological and biophysical limits to the scale and magnitude of eco efficiency gains that can be accomplished. Further restrictions on systems which have already adopted a number of these changes are likely to come at a significant cost to the viability and resilience of these businesses moving forward.

9. As Kaitiaki, sheep and beef farmers are also host to 2.8 million\textsuperscript{3} hectares of native biodiversity, including 1.4 million hectares of native forest. This is the second largest holding of native forest and native biodiversity – bettered only by the Crown estate. In some regions, such as the East Coast, there is more native biodiversity on sheep and beef farm land than in the Crown estate. Added to this is an estimated 180,000 hectares of forestry blocks.

10. The sheep and beef sector takes an integrated and holistic view to the sustainable management of natural resources. The sector is actively seeking solutions that enable and empower multiple benefits across New Zealand’s range of natural assets including biodiversity, aquatic ecosystem health, soils, climate, and healthy vibrant communities.

11. Climate policy and climate adaptation pathways should be transformative in design, enabling and empowering individuals and communities to build resilience across all their well-beings, including ecosystem services, community and cultural wellbeing, and economic wellbeing. While climate policy and adaptation pathways need to provide for clear and timebound outcomes to enable business and community certainty including investment certainty, they will also need to provide carefully crafted frameworks which enable flexibility and innovation and provide for business and community adaptation.

12. As such it is imperative that domestic climate policy is not created in silo and that instead it provides a transformational policy foundation which will deliver not only on New Zealand’s climate change commitments but will also enable and empower New Zealand’s sheep and beef sector to continue to build diverse, resilient, productive landscapes for the benefit of all New Zealand and in maintaining vibrant thriving communities.

\textsuperscript{1} Agricultural Production Statistics, Statistics New Zealand.
\textsuperscript{2} ibid
\textsuperscript{3} Norton D., Pannell J., 2018. Desk-top assessment of native vegetation on New Zealand sheep and beef farms.
Sheep and beef farmers are up to the challenge of playing their part in the actions needed to achieve the Paris Agreement and helping New Zealand address the climate change challenge. This is why B+LNZ has, through its Environment Strategy, committed to leading the sector to working towards being carbon neutral by 2050.

This is also why B+LNZ has played an integral part in shaping the Primary Sector Climate Change Commitment, and we welcome the fact that the Government has included this Commitment as one of the options consulted on in the Action on Agricultural Emissions discussion document. The following section provides our substantive feedback on the proposals as well as detailed answers to the questions posed in the discussion document.

GENERAL SUBMISSION ON THE ACTION ON AGRICULTURAL EMISSIONS CONSULTATION

B+LNZ considers that while a number of proposals are being consulted on and a number of questions are posed in the discussion document, the main choice to be made as part of this consultation is whether the Government should adopt Option 1 (ICCC recommendations) or Option 2 (Primary Sector Climate Change Commitment) as an interim measure, or set of measures, to reduce emissions from the agriculture sector in the period from now to 2025.

In this respect, B+LNZ strongly supports Option 2, as we consider it the best way to achieving emission reductions and building resilience in our sector.
17. B+LNZ has a wider concern that New Zealand’s climate change policy does not adequately address the key drivers of climate change, in meaningfully working towards reducing fossil fuel emissions. But rather creates a framework which incentivises and endorses emissions swapping, essentially providing for the impacts of fossil fuels to be offset onto the the agricultural sectors, and in this way creating a disproportionate impact of climate policy across communities. B+LNZ is concerned that New Zealand could create a system where people ‘buy out’ their carbon impacts, especially around fossil fuel use. There is debate around climate science, but very little debate around the need to drastically reduce fossil fuel use.

18. We fully support native planting, and support the right of farmers to choose what is right for them. However, with an economic life-cycle of only 30 years, and few interventions in between, we have significant concerns around the potential for carbon farming to destroy rural communities across New Zealand.

Reasons for the submission

Option 2: Primary Sector Climate Change Commitment

19. The Primary Sector Climate Change Commitment is a ground breaking proposal that brings all of agriculture together, speaking with one voice, in partnership with Iwi, to tackle head on the challenges that the sector and New Zealand face in relation to playing our part in the global effort to limit warming to 1.5°C above pre-industrial levels – both emissions reductions and climate adaptation.

20. This makes the Primary Sector Climate Change Commitment a unique opportunity for Government to partner with Iwi and all of agriculture in developing an innovative new model for how New Zealand tackles the climate challenges it faces. This is the opportunity to create a new way of working on this ‘wicked’ problem, one that will provide the world with an example of how to engage with agriculture and civil society in a meaningful way.

21. The Sector Commitment represents an opportunity to move towards an approach that integrates climate change action into the wider suite of integrated environmental management practices of New Zealand’s natural, social and cultural capital resources.

22. Primary Sector Leaders have presented an industry developed commitment similar to Sector Accords currently in place in the United Kingdom between industry and government. 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.

23. Any price on emissions would 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 with Option 1 as proposed by the Government is that this pricing system would not be in the Emissions Trading Scheme at any point.
24. 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.

25. 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.

26. B+LNZ’s view is that the Primary Sector Climate Change Commitment offers a unique opportunity for New Zealand to demonstrate domestic and international leadership when it comes to tackling emissions from the agriculture sector. We are convinced that this is the best way of addressing agricultural emissions in the short-term and to design a practical and cost-effective system to continue reducing emissions from 2025 onwards.

27. By successfully implementing a system to reduce agricultural emissions jointly designed by the industry, Iwi and the Government, New Zealand would be demonstrating leadership to the rest of the world by showing that it is possible to tackle agricultural emissions while building the resilience of our farmers, and continuing to have a profitable sector and thriving rural communities. This would greatly contribute to New Zealand’s brand as being an innovative, efficient and resilient food-producing country.

28. B+LNZ remains committed to working with the Government on developing and implementing this model.

Option 1: Pricing agricultural emissions as recommended by the ICCC

29. B+LNZ opposes Interim Option 1 as presented in the discussion document. In no small part this is due to our view that current broad-based emissions pricing has not, and going forward is unlikely to, achieve fossil fuel reductions. This is because blanket charges do not incentivise behaviour change. We discuss this further below.

30. Another critical reason we do not support Option 1, is that blanket pricing of emissions deals with GHG emissions in a silo and not as part of a cohesive and integrated approach to managing natural resources. In our view, one of the key benefits of Option 2 is that it would embed a holistic farm planning approach that addresses climate change alongside water and soil health, and alongside biodiversity protection.

31. As an illustration of how we see that this holistic view has been overlooked, pages 28-30 of the discussion document outline a ‘Decision A’ that would need to be addressed if Option 1 were pursued. This ‘Decision A’ is around allocation of the 95% ‘free allocation’ and the discussion document favours an output-based allocation where sectors are effectively given a ‘carbon envelope’ in which to operate. Sectors are then presumably free to produce as much as they wish within that sectoral envelope.

32. We have two concerns with this. Firstly, it is a concern that a sectoral envelope is proposed, as that is grandparenting a set of existing GHG emission ‘rights’ to sectors,
irrespective of contribution to a desired outcome. There is no suggestion of how this allocation between sectors would be determined, nor any discussion of why existing sectors should be protected against emergent and/or more environmentally-efficient sectors.

33. Secondly, while an output-based approach may allow for emissions efficiency to be recognised, in doing so it provides an incentive towards intensification. This has potential negative implications for the other environmental impacts of a land use – for example the impact to waterways of nutrients used to generate additional feed, the impacts of increased stocking rates on soil health, and the impacts of monocultural farm systems on biodiversity.

34. Beef + Lamb New Zealand is committed to the environmental programme set out in Figure 1 above, which is based around cohesive management across four core environmental pillars. At its heart is catchment-scale action centred on communities but underpinned by individual farm plans is crafted to achieve the collective vision and an integrated and cohesive approach to managing natural resources while providing for a vibrant and future proofed red meat sector, and the wellbeing of communities.

35. B+LNZ position on allocation is that, if adopted, it should be based on the ‘natural capital’ of the environment, and in this way work synergistically across all natural assets. Such an approach ensures that agricultural land uses are optimised within environmental limits, that those that are already farming within the natural capital of their environment are not penalised, provides flexibility and room to adapt, and where required drives farm systems and behavior change. Allocation based on natural capital is the most efficient and effective way to ensure land uses operate in a way that delivers multiple environmental outcomes, and promotes community, cultural, and economic wellbeing.

36. In our view, Option 1 lacks a coherent, consistent approach to environmental management across all of the environmental limits that agriculture sector faces. Option 2, however, provides the opportunity to create just that.

Market Instruments

37. The discussion document argues that a price at the processor level needs to be introduced as an interim measure because voluntary behaviour has not achieved the required change at the required pace. However, the Ministry for the Environment’s April 2019 Snapshop – New Zealand Greenhouse Gas Inventory 1990-2017\(^4\) – highlights how broad-based carbon taxation has not led to reduced GHG emissions.

38. According to this report, between 2016 and 2017, New Zealand’s gross GHG emissions rose by 2.2%, ‘mainly from an increase in emissions from road-based transport and fossil fuel-generated energy generation’, despite the ETS currently applying to those sectors.

39. In our view, this is because a tax / levy per unit of product output does not recognise the efforts of individuals and so provides little incentive to innovate or invest in reduction. It is

akin to taxing all vehicles the same based on an average consumption of fuel across the entire vehicle fleet, including electric vehicles.

40. A tax at processor level can very easily incentivise additional production irrespective of environmental limits. A producer wanting to achieve $1 in profit might reasonably increase production to achieve that same $1 in profit (net of ‘carbon tax’, and ignoring other impacts).

Summary

41. B+LNZ stridently opposes a price being put at the processor-level, and firmly believes that Option 2 is the best way forward.

42. However, B+LNZ is encouraged by the fact the Government’s option includes developing a plan that lays out the necessary steps and timeframes for implementing a price on emissions at the farm-level by 2025, and that this plan would involve the agriculture sector and iwi. There are some similarities in this approach with the primary sector’s commitment that B+LNZ would want to explore further with the Government should Option 1 be chosen following this consultation.

SPECIFIC SUBMISSION ON THE ACTION ON AGRICULTURAL EMISSIONS DISCUSSION DOCUMENT

43. B+LNZ welcomes the opportunity to provide specific feedback on the questions posed by the Government in the discussion document.

Question 1: What is the best way to incentivise farmers to reduce on-farm emissions?

- The best way to incentivise farmers to reduce on-farm emissions is to deliver a better return for their product for making the changes to reduce emissions. B+LNZ’s ‘Taste Pure Nature’ programme is focused on building a market premium for extensive, low-input production systems, with a low environmental footprint. This is why our environmental programme and our ‘Taste Pure Nature’ programme are intertwined.

- For GHG emissions particularly, farmers could be supported to understand what their on-farm emissions are, and how changes to farm systems and practices might affect these emissions. Extension around significant change is difficult and takes time, but farmers (like all people) are adaptable once it is clear what is needed and what fits with their individual circumstances.

- More generally, farmers will engage with their peers and developing farmer leadership is critical.

- A holistic and integrated approach should be enabled which provides farmers with clear signals on how to deliver across multiple wellbeings, these include biodiversity, health soils, water quality, animal welfare, economic wellbeing, and community wellbeing. Such frameworks incentivise a whole farm systems approach, support collaborative community initiatives, and build resilience.

- Farmers should feel empowered and incentivised to ensure the right fit of land use within their landscapes including identifying biodiversity opportunities and as such offsetting emissions within their own systems. This approach will maximise the ecosystem services provided by the farm and the catchment, while maintaining productive and profitable
farming businesses. Farmers should be encouraged by all that they offset, as well accounting for all that they emit.

- Building understanding around ecosystem services\(^5\) and valuing these within productive and profitable landscapes, will be essential as we move towards systems which more explicitly address planetary boundaries, and encentivise economic activities which operate within them.

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?**

- Choosing the ‘simpler’ option of blanket taxation at livestock processor delivers no market signal, and basically commoditises carbon in a world where there is, as yet, minimal competition on ‘carbon’.

- This runs counter to an objective of an economy driven by adding value, because the value is being destroyed before it is even created.

- Fertiliser use should be incorporated into on-farm emissions calculations, rather than a tax at the processor level. Farmers need to consider the implications of nitrogen fertiliser use as part of their whole farm system’s emissions. Taxing nitrogen fertiliser at the processor runs the risk of decoupling the impacts, as has been evident with the ETS charge on fuel.

- Emissions from synthetic fertiliser made up 15.9% of nitrous oxide (\(N_2O\)) emissions in 2017\(^6\) with the majority of \(N_2O\) coming from a range of sources within the farming system. Organic fertilisers, grazing manure, crop residues, mineralization from soils, cultivation, volatilization, leaching and runoff all contribute to the total as well.

- Stocking density, feed levels, soil management and other management actions will affect \(N_2O\) emissions from a farm. If it is intended to average those losses into the pricing of fertiliser then those who run low impact systems with low \(N_2O\) emissions will be unfairly penalised.

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

- Such a scheme must be:
  - As simple as possible;
  - Focused on the objective it must deliver;
  - Holistic in its approach to environmental management;
  - Based on science, including evolving science;
  - Based on Natural Capital
  - Encouraging land use that matches Land Use Capability (LUC);

\(^5\) Ecosystem services are defined as “the benefits people obtain from ecosystems”. The ‘ecosystems approach has its origins in ecological economics, recognising that the economy is a subsystem of the ecological system, and that sustainable economic activity needs to be performed within the biophysical limits of the natural environment. Natural resources scarcity is nowadays the limiting factor to economic development.

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?

- B+LNZ supports Option 2, a formal sector-government agreement, which provides a unique opportunity to address GHG emissions from agriculture in a way that can align to other environmental outcomes New Zealand and the sector are seeking.
- Option 2 provides for immediate action on climate change, rather than delaying action to a future date.

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 2 is supported, and Option 1 opposed, for the reasons discussed above.

6. What additional steps should we be taking to protect relevant iwi/Maori interests, in line with the Treaty of Waitangi?

- B+LNZ’s view is that land should be available for development within its environmental limits. We have no view on the relationship between iwi and the Crown.

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

- It is well recognised that reducing greenhouse gas emissions from livestock is difficult—there are currently limited viable mitigation options and technologies for reducing agricultural emissions.
- As the BERG reports clearly show, there are limited tools currently available for mitigating emissions, and the most significant of those is on farm sequestration, which the Zero Carbon Bill’s targets for methane have, without scientific foundation, ruled out.
- Recognising existing sequestration, particularly the 1.4 million hectares of native forest on sheep and beef farm land provides a valuable opportunity to capture that sequestration in the national accounts.
- Government has the opportunity to recognise on-farm sequestration through trees on farm that are not currently counted, and support farmers to use trees more extensively for offsetting.
- B+LNZ is about to launch a revision of our environment planning tool to support farmers through the holistic planning process. We would welcome government support.

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8. 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 will be significant. The Meat Industry Association sets out likely impacts in their submission.

- Agriculture is a significant part of the country’s income, and proposals that allow fossil-derived emissions to be offset through widespread tree planting will seriously affect the economy, and reduce the ability of the country to adapt to climate change.

- Without long term policy stability, and industry working with government, then the ability to deliver the needed emissions reduction will be severely tested.

- 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 as can be seen in the recently announced application of reductions being made for certain industrial emitters. 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.

- B+LNZ has concerns over how an ‘output-based’ model of ‘free allocation’ would work, and can see it as a source of contention in the short-to-medium term.

- B+LNZ’s preference if Option 1 were to be selected by the Government is to work with the Government to explore the Land-Based Allocation method as proposed by the ICCC further.

- B+LNZ’s view is that a fundamental requirement in relation to resource use is that it promotes land use optimisation over time and incentivises and encourages management within environmental limits across different domains (eg, land, water, soil, biodiversity, climate etc). Objectives, policies, and allocation methods should therefore ensure that resource use takes into account the Natural Capital of the land.

- Natural Capital is a rapidly emerging, multidisciplinary approach to assess the multi-functionality of natural resources based on the concept of natural capital and ecosystem services. Natural capital is defined as the “stocks of natural assets that yield a flow of ecosystem goods or services into the future”.

- The notion of natural capital comes from trying to frame the contribution of natural resources alongside manufactured capital (factories, buildings, tools), human capital (labour, skills) and social capital (education, culture, knowledge) to the economy.

- Ecosystem services are defined as “the benefits people obtain from ecosystems”. The ecosystems approach has its origins in ecological economics, recognising that the economy is a subsystem of the ecological system, and that sustainable economic activity needs to be performed within the biophysical limits of the natural environment. Natural resources scarcity is nowadays the limiting factor to economic development.
B+LNZ welcomes that the ICCC has provided analysis on a land-based allocation method. In our view, Land Use Capability (LUC) represents the most integrated and holistic approach to land use that is currently available. This approach enables allocation to be decoupled from current land uses and linked, instead, directly to the natural biophysical resources of the land.

Without long term policy stability, and industry working with government, then the ability to deliver the needed emissions reduction will be severely tested.

B+LNZ has significant concerns around how we, as New Zealand, are meeting our international commitments. In the long term, we see the prospect of significant parts of New Zealand being under exotic trees that no longer have any ‘carbon’ value, nor any recoverable log value. These would be economic and social dead zones.

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

B+LNZ welcomes that the Government has included the Primary Sector Climate Change Commitment as one of the options being consulted on in this discussion document.

The entire agriculture sector has demonstrated leadership and ownership of the need to reduce emissions and has developed a practical model that the sector is prepared to sign up to as a way that will work to reduce emissions from the sector.

This is a substantial commitment by the sector and should not be ignored by Government. On the contrary it can provide a sustainable model that can be used across the economy and provide a template for the world on how to work collectively to reduce emissions from agriculture.

ADDITIONAL QUESTIONS ON FREE ALLOCATION OF EMISSIONS

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

B+LNZ does not support a processor point of obligation either in the interim or permanently. The sector alternative does away with the need for ‘free allocation’.

Free allocation will be reduced over time as identified in the document. The impacts of free allocation phase down have not been fully explored in any of the economic analysis done by the ICCC or in the Zero Carbon Bill impact analysis. This needs to be rectified urgently.

New Zealand prides itself on its agriculture being unsubsidised, and thus distorted in the international market. There is a risk that ‘free allocation’ will be used against New Zealand in trade negotiations, particularly those relating to market access for meat and other sector products.

We judge the proposed approaches to allocation in the discussion document to be complicated and think they would generate significant administrative costs, as well as incentivise emissions increases.

However, in the event that the Government chose Option 1 and were to work towards a free allocation regime, then B+LNZ seeks to be part of the conversation.

In our view, options that should be ruled out are grandparenting, sector averaging, or proportional based allocation systems.
If allocation is to be adopted then it should be based on Natural Capital.

LUC, as a proxy for natural capital, currently represents the most integrated and holistic approach to assessing the natural capital of land. As such B+LNZ support its adoption pending a more comprehensive tool being developed.

An advantage of a land-based approach is that it supports Iwi in the future management of their land.

The sheep and beef sector is diverse not only in relation to its farming systems which can include horticulture, tourism, and arable farming, along with pastoral based animal production systems, but also in relation to the landscapes that support our sector. Understanding the natural capital of the land and linking farming systems in a way that enables flexibility and adaptation within biophysical limits is fundamental to the ongoing viability and resilience of the sector moving forward.

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. There should be no processor point of obligation and therefore no allocation at processor level.

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?

No. There should be no processor point of obligation and therefore no allocation at processor level.

Emissions intensity is not a measure of how much emissions have been reduced. Emissions intensity can improve while total emissions increase. This risk is identified in the recent report from the IPCC - Climate Change and Land.

We do not agree with the proposed approach for calculating emissions intensity as it is calculated on the volume of product through a particular plant in a particular year. Since volumes of product will not be known until the end of the year, then applying the previous year’s emissions factors to the current year’s production will lead to some perverse outcomes. In years of particularly high or low throughput, the previous seasons’ volumes will be used to determine the tax for the new season, which may be very different as a result of climate and other factors outside the control of farmers e.g. biosecurity issues, global financial or geopolitical factors.

Livestock farmers are not tied to a single processor and so volumes through any one plant will vary.

This approach will not reflect individual farm results, thus penalising those improving and rewarding poorer performers. Nor does it take into account the different farm systems and how they might compare to other like farms, rather than significantly different farm systems.

There is an assumption evident that emissions intensity will continue to improve at a steady rate. This is erroneous as annual emissions intensity changes vary from year to year. Given that significant improvements have been made already, there is no certainty that this rate of improvement will continue – rather the more significant gains may already have been made.

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8 IPCC 2019. Climate Change and Land
There is a risk that the “anticipated business as usual improvements in emissions intensity” may not occur in any particular year, with the risk of the sector being labeled underperforming, when the reality is that the expectations from officials were overly ambitious.

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?

- No. A system in which free allocation is unnecessary is more appropriate. It avoids distortion of markets, international trade risks and a lot of unnecessary administration and compliance.