To: Ministry for the Environment

Submission on: Action on Agricultural Emissions Discussion Document

From: Federated Farmers of New Zealand (Auckland Province) Incorporated

Date: 13 August 2019

Hearing: Federated Farmers of New Zealand (Auckland Province) Incorporated wishes to be heard should any hearing be held in relation to the Action on Agricultural Emissions Discussion Document

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1. INTRODUCTION

1.1 Federated Farmers of New Zealand (Auckland Province) Incorporated ("Auckland Federated Farmers") welcomes the opportunity to make a submission to the Ministry for the Environment on the Action on Agricultural Emissions Discussion Document ("the Discussion Document").

1.2 As an organisation, Auckland Federated Farmers takes an interest in the matters considered in the Discussion Document because we are concerned to see that the interests of those who rely on Auckland’s land based resources are adequately protected. Legislative provisions that have been made, and that may come to be made, as regards climate change are important to the primary production sector. Whatever provisions come to be made should lead to regulations, bylaws or rules that are as permissive as possible, and they should lead to normal primary production activities being able to be undertaken without the necessity of having to obtain specific authority under any legislation, including obtaining a resource consent under the Resource Management Act. Such laws, regulations, bylaws or rules as may necessarily derive from legislation should be understandable and workable. New primary production activities should be able to be established with the minimum of bureaucratic fuss.

1.3 Overall, Auckland Federated Farmers supports what the Government is seeking to achieve by way of its general response to the challenges the country faces in addressing climate change. Auckland Federated Farmers understands that the purpose of the Discussion Document is to offer two potential options by which New Zealand can best manage reducing emissions from agriculture. Auckland Federated Farmers recognises that the options are for incentivising emissions reductions on farm now, while giving certainty about future policy to motivate and enable farmers to reduce their emissions.

1.4 Auckland Federated Farmers supports New Zealand playing its part in addressing climate change, by pursuing action consistent with the goals of the Paris Agreement. The Agreement commits holding the increase in the global average temperature to well below 2°C Celsius above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C Celcius above pre-industrial levels. In this context it is considered very important that it be recognised that the Discussion Document is, in part at least, a response to the Paris Agreement. Auckland Federated Farmers acknowledges that the government has committed New Zealand to the Paris Agreement, and in practical terms is therefore bound by its provisions. Auckland Federated Farmers considers it to be very important that it be acknowledged that the Paris Agreement recognises the “fundamental priority of safeguarding food security” and directs that policies to address climate change “not threaten food production".
Auckland Federated Farmers supports transitioning the New Zealand economy to a point where all greenhouse gas emissions achieve zero carbon equivalent by 2050. To achieve this all gases must be treated equally, relative to their contribution to additional warming. This means it is fully appropriate to take a split gases approach where short-lived gases have different emissions reduction targets from long-lived gases.

Auckland Federated Farmers acknowledges and agrees that the agricultural sector will have a key role as New Zealand transitions to a low-emissions economy. It is acknowledged that biological emissions from agriculture contribute almost half of New Zealand's total greenhouse gas emissions, and that the transition to a low-emissions economy won't be achieved without agricultural emissions being addressed.

Auckland Federated Farmers supports the New Zealand agriculture sector and government continuing to jointly invest in cutting edge agricultural emissions mitigation research. This has the potential to deliver innovative results, without threatening food production. Efforts to encourage the uptake of sustainable farm practices that have the potential to reduce on-farm net emissions while improving additional outcomes such as for water quality, biodiversity, biosecurity and animal welfare are also supported. It is considered important that it be recognized that the New Zealand livestock sector is among the most efficient in the world, and has been successful in reducing greenhouse gas emissions intensity by about 1% per year since 1990.

However, while generally supporting the purposes of the Discussion Document, Auckland Federated Farmers wishes to express in no uncertain terms its strong concern about some of the details in the Discussion Document as regards the government's proposals to implement a price on livestock and fertiliser emissions, and in particular the proposal, in “Option 1”, to price livestock and fertiliser emissions at processor level via the New Zealand Emissions Trading Scheme (“ETS”). It is considered that this is nothing other than a tax on agricultural production, which will not achieve the objective of addressing agricultural emissions in a way that is both fair and effective.

Further, Auckland Federated Farmers wishes the Ministry to recognise the concerns it has about the social, environmental and economic impacts that the responses to climate change, including those that are considered in the Discussion Document, may have on rural communities. There is a great deal of uncertainty in Auckland's rural communities as to what the future holds, which in turn is leading to a loss of confidence amongst farmers about what they are achieving for their communities and for the country. There is concern about a growth in mental health issues amongst those who work in the primary sector, and concern about the impact of the responses to climate change on rural incomes and rural land values. All this is happening at a time in which returns for primary produce (apart from coarse wool) are as high as they have ever been.

Auckland Federated Farmers asks that the Committee carefully consider the effects the proposals in the Discussion Document will have in respect of its genuinely expressed concerns about the economic, social and environmental wellbeing of the country’s rural communities. This is particularly the case in Auckland where farmers may be faced with having to respond to both central government initiatives and to the Auckland Council’s initiatives regarding climate change.
Thus Auckland Federated Farmers acknowledges, and also wishes the Ministry to acknowledge, those in the community, and in the farming community in particular, who have doubts about the reality of climate change and doubts about the reliability of the science that backs up the activities which the Intergovernmental Panel on Climate Change (“IPCC”) carries out and encourages.¹

Two matters arise from this. Firstly, there is considerable controversy about the science relating to atmospheric methane. Perhaps the most noticeable difference between the views of IPCC and the recommendations in its 2018 Report,² and the views held by many other reputable scientists, is the differences in the way in which the global warming potential may be calculated.³ The lack of a proper scientific consensus on this point gives considerable credibility to the claims of those who question the “accepted” science behind climate change.

The second point is the importance of the imperative in the Paris Agreement, that adaption to the adverse effects of climate change and the fostering of climate resilience and low greenhouse gas emissions development is to be achieved in a manner that does not threaten food production. Auckland Federated Farmers, along with all the parties to the Paris Agreement (which includes New Zealand itself) recognises that safeguarding food security and ending hunger is “the fundamental priority” of the Paris Agreement. It seems to Auckland Federated Farmers that the policy behind “Option 1”, which amounts to nothing other than a tax on agricultural production that does not address agricultural emissions fairly and effectively, does not take this imperative properly into account.

Auckland Federated Farmers considers it to be important that, if farmers choose to do so, they have the option to count all scientifically valid carbon sequestration that occurs on-farm. This approach should be available regardless of whether or not carbon sinks, which include riparian strips, small woodlots and shelter belts, meet international requirements for reporting. The regulations outlined in the United Nations Framework on Climate Change do not preclude the implementation of scientifically valid domestic schemes operating in parallel, and rewarding farmers in this way for genuine carbon sequestration would have the added benefit of encouraging the right tree being planted in the right place for the right purpose.

Auckland Federated Farmers also takes the opportunity to draw the Ministry’s attention to the Auckland Council’s Auckland Climate Action Framework. The Framework, which is now at a public consultation stage, is described as being an integrated climate change action plan, which addresses both the rising emissions in the Auckland region and the impacts of the changing climate on how Auckland as a whole proposes to address climate change issues. Auckland Federated Farmers’ takes the opportunity to signal its general support for the initiatives in that Framework, buts particularly asks the Ministry to be cognisant of the Framework, and the potential for actions taken under it

¹ The IPCC website records that: The IPCC was created to provide policymakers with regular scientific assessments on climate change, its implications and potential future risks, as well as to put forward adaptation and mitigation options.

Through its assessments, the IPCC determines the state of knowledge on climate change. It identifies where there is agreement in the scientific community on topics related to climate change, and where further research is needed.

² IPC, October 2018: Global Warming of 1.5°C ( Summary for Policymakers).

³ For example, GWP₁₀⁰ v GWP*.
to impact adversely on primary production in Auckland, and thereby add further to the concerns set out above.

1.15 In this context, Auckland Federated Farmers is concerned that farmers in Auckland may be caught in a “double whammy”, finding themselves having to respond to both central government initiatives and to the Auckland Council’s initiatives. If this was to happen, and it is considered that it would happen if Option 1 was to be adopted, it would put Auckland farmers at a disadvantage, compared to farmers in other parts of the country. Auckland Federated Farmers asks that the Ministry recognise and acknowledge the concern.

2. KEY RECOMMENDATIONS

2.1 That the Ministry proceed with Option 2.

2.2 That farmers in Auckland be exempt from being charged for the levies under Option 1, should that Option be preferred by Government.

2.3 That the Ministry take into account Auckland Federated Farmers’ responses to the Consultation Questions.

3. OPTION 2

3.1 Auckland Federated Farmers supports “Option 2”, as proposed in the Discussion Document, whereby a formal agreement is reached between the Government and the agricultural sector, which includes a programme of action to support reductions in farm emissions and progress for implementing farm-level pricing, and primary industry resourcing and funding to a level necessary to implement the programme of action. Indeed, Auckland Federated Farmers considers that the agricultural sector’s commitment to reaching an agreement with the Government is evidenced by the Primary Sector Climate Change Commitment that was agreed in July 2019, “He Waka Eke Noa – Our Future in Our Hands” (“the Commitment”).4 As a part of Federated Farmers of New Zealand, Auckland Federated Farmers agrees with the Commitment.

3.2 The He Waka Eke Noa – Our Future in Our Hands document describes the primary sector’s collective commitment in response to the challenges posed by climate change, to contribute to the global effort under the Paris Agreement to limit the global average temperature increase to 1.5°C Celsius above pre-industrial levels, whilst maintaining food production. It represents a high-level statement of the sector’s vision for, and commitment to, reducing agricultural greenhouse gas emissions. The primary sector commits to adapting to climate change, while enhancing New Zealand’s reputation for safe and sustainable food production and maintaining the country’s competitiveness in international markets.

4 Available at https://beeflambnz.com/sites/default/files/Primary%20Sector%20Climate%20Change%20Commitment.pdf.

The parties to the Commitment are: Apiculture New Zealand, Beef+Lamb New Zealand, DairyNZ, Dairy Companies Association of New Zealand, Deer Industry New Zealand, Federation of Maori Authorities, Foundation for Arable Research, Federated Farmers of New Zealand, Horticulture New Zealand, Irrigation New Zealand, Meat Industry Association.
In the He Waka Eke Noa – Our Future in Our Hands document, the primary sector commits to working in good faith with government and iwi/Māori to design a practical and cost-effective system for reducing emissions at farm level by 2025. The sector commits to work with government to design a pricing mechanism where any price is part of a broader framework 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. The primary sector’s proposed 5-year programme of action is aimed at ensuring farmers and growers are equipped with the knowledge and tools they need to deliver emissions reductions while maintaining profitability.

Auckland Federated Farmers considers that addressing biological emissions starts with actions and decisions on the farm. This is what the Commitment seeks to achieve, in order to make enduring progress towards the goals of reducing and mitigating agricultural emissions, and building resilience of primary sectors with a genuine partnership between the primary sector and the government. Auckland Federated Farmers strongly supports the development and establishment of a farm-based system for reducing emissions, which is Option 2 in the Discussion Document.

It is considered that the best way to incentivise farmers to reduce on-farm emissions will be through helping farmers understand their emission sources and sequestration, and to provide practical tools. A price on emissions, as per Option 1 and in the absence of practical on-farm mitigation tools, is considered to lack focus, and amount to a tax. Further, there is a fear among Auckland Federated Farmers’ members that the proposed allocation of 5% may be increased. Coupled with the blunt crudeness of the Option, this has fostered strong objections to Option 1 from Auckland Federated Farmers’ members. Auckland Federated Farmers has worked hard to bring its members along with position of Option 2, and if Option 1 is implemented there is a risk that this goodwill will be lost and opposition to any climate change mitigation proposals will harden.

Further, if Option 1 was to be adopted, it would put Auckland farmers at a disadvantage, compared to farmers in other parts of the country in that they would be caught in a “double whammy”, finding themselves being charged by the processors for their share of the levies that are implicit in Option 1, as well as finding themselves having to respond to the Auckland Council’s more general initiatives under the Auckland Climate Action Framework.

Through the Auckland Climate Action Framework, the Auckland Council has committed the whole of Auckland to developing a plan in line with the object of limiting global warming to 1.5° Celsius, and to this end has recommitted Auckland to membership of C40 and joined 94 major international cities in committing the Auckland region to progress towards limiting global warming to within 1.5° Celsius above pre-industrial levels, which aligns with the aim of the Discussion Document. It is understood that the Auckland Council has also declared a “Climate Emergency”.

The Auckland Climate Action Framework outlines a series of required mitigation and resilience actions to align with the 1.5° Celsius target, while ensuring the region is resilient to future climate change challenges. The Framework has 11 “key moves” which address the needs of Auckland as a whole, and address the future challenges that Auckland will face. It is understood that there is a range of requirements in the
Framework pointing to a transition to low emissions, and which aim to building resilience to climate change. These include transport choices, clean energy, public green space provision, and a high-quality and safe built environment.

3.9 Auckland’s methane emissions contribute just 9.8% of Auckland’s greenhouse gas emissions portfolio, with transport emissions being the largest contributor to the region, followed by emissions brought about by buildings. The Auckland Council acknowledges that the transition to a climate resilient, low carbon economy and society is likely to require additional capital spend, at least in the short term. Yet primary production and primary production related activity makes up a significant proportion of Auckland’s economy, up to 10%, including downstream processing. Auckland Federated Farmers is concerned that, if Option 1 was to be adopted, not only will farmers and other primary producers in Auckland be charged for and be required to pay the processor levies that are implicit in Option 1, albeit indirectly, but they will be expected to respond to the Auckland Council’s initiatives, including by contributing to the anticipated capital spend on transport choices, clean energy, public green space provision, and high-quality and safe built environments.

3.10 But the Auckland Council itself sees it to be critical that the transition to a nett zero carbon emissions future is just and equitable. The Council sees this as involving strong collaboration with communities and sectors, ensuring that jobs, safe transport options, affordable healthy food and clean energy supplies are maintained and accessible to all. It is seen to be critical that everyone is adequately supported and prepared for future climate change challenges, and that the legislation does not bear disproportionate impacts on vulnerable communities such as the primary production community.

3.11 The attached graph, which was presented to a recent meeting of the Council’s Rural Advisory Panel, models an emissions reduction pathway to 2050 and was drawn up independently of the Council. The graph discloses a pathway by which almost all emissions reductions take place in other than the primary industry sector.

3.12 Given that Auckland farmers will have no option but to respond to the Council’s initiatives, Auckland Federated Farmers asks that farmers in Auckland be exempted from being charged for the processor levies that are implicit in Option 1, should that option be adopted.

3.13 Option 2 is the outcome from sustained and thorough pan-sector discussions and forgoing this hard work would represent a large wasted opportunity for government to work with industry in order to achieve a zero carbon equivalent agricultural sector in New Zealand by 2050. Auckland Federated Farmers considers that Auckland farmers are prepared to play their part under Option 2, and do not seek any exemption, should Option 2 be adopted.

3.14 In a recent survey of its members conducted by Federated Farmers of New Zealand, only 3.45% of the survey participants supported agriculture entering the ETS while farmers do not have cost effective mitigation technologies to reduce their emissions without reducing productivity, and while international competitors are not looking to price their agricultural emissions (as detailed in Option1). This along with, close

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5 Auckland Council submission on Climate Change Response (Zero Carbon) Amendment Discussion Document, at 8.
6 Auckland Council submission on Climate Change Response (Zero Carbon) Amendment Discussion Document, at 43.
consultation with the Federation’s nationally and provincially elected representatives, has given Federated Farmers of New Zealand, along with Auckland Federated Farmers, the mandate to strongly oppose Option 1.

3.15 The Ministry for Primary Industries publication “Investing in Tomorrow” acknowledges the achievements that can be made by way of reducing emissions, through farm management practices. In a chapter of the publication entitled “can effective farm management cut back greenhouse emissions”, it is recorded that:

Those farmers able to reduce emissions while retaining high production and productivity will be advantaged in the future. Some have already proved that they can operate low-emissions intensity, high production farming systems …

(emphasis added)

3.16 Auckland Federated Farmers recommends that the Ministry proceed with Option 2.

3.17 If the Ministry decides to proceed with Option 1, Auckland Federated Farmers asks that farmers in Auckland be exempted from being charged for the processor levies that are implicit in the Option.

4. RESPONSES TO CONSULTATION QUESTIONS

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

Develop an industry-wide framework in which farmers can both know what their on-farm emissions sources and sinks are, and know what the economic and environmental impact of mitigation options will be.

Continue the development of cost-effective mitigation tools. Since 2003 the Pastoral Greenhouse Gas Research Consortium has directed about $75 million of industry and Crown funding to the challenge of lowering New Zealand agricultural emissions, including by attempting to decouple the relationship between the feed consumed by a ruminant animal and methane produced.

Develop an agricultural climate change policy that rewards farmers directly for reductions in emissions while retaining high production and productivity.

Avoid using taxation mechanisms, such as that proposed in Option 1.

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8 At page 36.
9 PGGRC & NZAGRC, ‘Reducing New Zealand’s greenhouse gas emissions: How We are getting there’, 2019.
**Q.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?

Pricing emissions at the processor level is a blunt and ineffective policy instrument. It does nothing to incentivise good management practices, or to deincentivise poor management practices.

Accounting for agricultural emissions at the farm level offers farmers the potential to modify their farm practices by adopting good management practices and thereby to see a tangible improvement in the level of their on-farm emissions. In contrast to processor level schemes, managing on-farm emissions on-farm incentivises the uptake of innovative technology, which will lead to continued efficiency improvements.

Emissions accounting implemented on-farm will better manage agricultural emissions with the technology that is currently available, and place farmers in a better position to take advantage of future mitigation tools as they become available.

**Q3.** What are the key building blocks for a workable and effective scheme that prices emissions at farm level?

Farmers should have the option of counting all scientifically valid carbon sequestration that is occurring on-farm, should they wish to do so. This approach should occur regardless of whether or not these carbon sinks meet international requirements for reporting. Rewarding farmers for genuine carbon sequestration would have many benefits, including that of encouraging farmers to plant the right tree in the right place for the right purpose.

Consistent with the Paris Agreement, schemes that prices emissions at farm level in order to reduce agricultural biogenic greenhouse gases should not threaten food production.

**Q4.** 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 benefits of Option 1 over Option 2 are discussed at length above. Auckland Federated Farmers strongly supports Option 2. Addressing biological emissions starts with actions and decisions on the farm. This is what the Commitment seeks to achieve, by making progress towards the goals of reducing and mitigating agricultural emissions, while building resilience of the primary sector by way of a genuine partnership between the primary sector and the government.

The best way to incentivise farmers to reduce on-farm emissions is through helping farmers understand their emission sources and sequestration and providing practical tools.
Q5. **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, for the reasons already stated above.

Q6. **What additional steps should we be taking to protect relevant iwi/Māori interests, in line with the Treaty of Waitangi?**

The government has a duty to honour the principles of the Treaty of Waitangi. The duty applies to the matters considered in the Discussion Document.

Q7. **What barriers or opportunities are there across the broader agriculture sector for reducing agricultural emissions? What could the Government investigate further?**

Creating an environment that enables the broader agriculture sector to make changes on-the-ground will overcome barriers and foster the uptake of opportunities across the broader agriculture sector for reducing agricultural emissions, by:

- Ensuring primary producers understand their emissions sources and sinks;
- Equipping primary producers with the knowledge, tools and technologies for mitigating and offsetting emissions, including by providing access to professional farm advice on farming systems and available practices and technologies;
- Ensuring primary producers understand the implications of alternative options for reducing emissions on their performance, enabling them to confidently take decisions;
- Having confidence that there is appropriate investment in the discovery, development and commercialisation of new emissions mitigation technologies, and a commitment to making these available as soon as possible to support the transition. This includes ensuring regulatory systems are fit for purpose, and enable the development and rapid uptake of safe, effective and reliable emission reduction technologies.

Q8. **What impacts do you foresee as a result of the Government’s proposals in the short and the long term?**

Properly implemented, the proposals should result in a gradual decline in the nett emissions of biogenic gases, resulting in the nett zero target being reached in 2050. Option 2 together with the Commitment represent an unprecedented undertaking by the primary sector to the achievement of enduring progress towards reducing and mitigating agricultural emissions, and building the resilience of the country’s primary sector.
Q9. **Do you have any other comments on the Government's proposals for addressing agricultural emissions?**

New Zealand primary production is much more efficient in terms of emissions than the global average. This means that reducing New Zealand's primary production would actually increase global biogenic emissions, in that other countries would make up the production difference, resulting in higher global emissions overall, through “emissions leakage”.

New Zealand primary producers are adept at producing food such as meat and milk in a most economically and environmentally efficient manner. Consequently, a decrease in New Zealand agriculture production will result in a global increase in agricultural greenhouse gases, as less efficient producers meet this loss in supply (emissions leakage). This will ultimately increase food costs and increase global emissions.

Q10. **Do you agree that the method for free allocation of emissions units at processor level should be output-based? Why or why not?**

Auckland Federated Farmers is strongly opposed to a processor-level allocation of emissions units, as this would amount to a tax on production, with no reward for on-farm emissions reduction.

An output based free allocation at processor level would not take into account how the outputs were generated and would incentivise intensification of the agricultural sector. This would have counterproductive outcomes for other desired environmental outcomes, such as water quality, biodiversity and animal welfare.

Q11. **Do you agree that free allocation of emissions units should be provided at the same time emissions obligations are due? Why or why not?**

Auckland Federated Farmers does not support free allocation of emissions units being provided at the same time emissions obligations are due, for the reasons stated in the response to Q10.

Q12. **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?**

Constant and sustained efficiency improvements that have been made by the agricultural industry in New Zealand have been taken for granted, and may continue to be taken for granted as business as usual. Improvements by farmers in the efficiency of their products are the result of innovation and hard work and should not be taken for granted, or be considered business as usual.
Q13. **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?**

Auckland Federated Farmers does not support the universal pricing of agricultural emissions in New Zealand and therefore does not support the allocation of emissions units, regardless of how they are phased down.

5. **ABOUT FEDERATED FARMERS**

5.1 Federated Farmers of New Zealand is a member-based organisation representing farming and other rural businesses. Federated Farmers has a long and proud history of representing the needs and interests of New Zealand farmers. Federated Farmers of New Zealand (Auckland Province) Incorporated operates as a Province of Federated Farmers of New Zealand, representing farming and other rural businesses in Auckland.

5.2 The Federation as a whole aims to add value to its members’ farming 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.

ENDS
What have we learnt?

Independent modelling of an emissions reduction pathway to 2050

Figure ES1: CURB decarbonisation pathway wedge diagram

What is best practice? Learning from, and testing with, other cities