CONSULTATION ON PROPOSALS TO ADDRESS GREENHOUSE GAS EMISSIONS FROM AGRICULTURE

Submission by Enviro-Mark Solutions Limited to the Ministry for the Environment

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Inspiring Action for a Better Environment and a Sustainable Low Carbon Economy

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About Enviro-Mark Solutions

Enviro-Mark Solutions Limited is a wholly-owned subsidiary of Manaaki Whenua – Landcare Research, a Government-owned Crown Research Institute. Our mission is to “inspire action for a better environment and a sustainable low carbon economy”. We own and operate the environmental certification programmes CEMARS (Certified Emissions Measurement And Reduction Scheme), carboZero, and Enviro-Mark. Our world-class carbon programmes are accredited by the Joint Accreditation System of Australia and New Zealand (JAS-ANZ), by the CDP (formerly the Carbon Disclosure Project) as a Verification Provider and Science Based Targets Provider, and by ICROA (International Carbon Reduction Offset Alliance). Our CEMARS programme is licensed under the UK Climate Change Act 2008 for greenhouse gas emissions reporting and energy management compliance reporting as a route to compliance. We are members of the Sustainable Business Network and Sustainable Business Council in New Zealand. We are a founding signatory of the Climate Leaders Coalition which was launched in July 2018. We are also members of the international organisations International Emissions Trading Association (IETA), We Mean Business and Science Based Targets and we are a partner of the UNFCCC (United Nations Framework Convention on Climate Change) – Climate Neutral Now programme.

Enviro-Mark Solutions provides the framework and tools for businesses to report their carbon footprint consistently year on year, in compliance with the relevant ISO standards, to set suitable emissions reduction targets, have their greenhouse gas emissions reductions verified and offset their remaining footprint using credible carbon credits. We have extensive experience in monitoring, reporting and verification (MRV) of greenhouse gas emissions and offsetting. Since 2006, we have worked with over 550 businesses and issued over 2,000 carbon certificates in five countries, across all sectors of the economy. We facilitate networking amongst these businesses to encourage sharing of emissions management learning and we produce numerous case studies on these businesses. From time to time, we publish the results achieved by the top reducers from amongst our members. On average, businesses participating in our carbon programmes reduce emissions by over 30% over a three to five year period. Through our carbon programmes, over 8.7 mtCO₂e has been reduced (in 5 countries) and through our carboZero programme, over 900,000 carbon credits have been cancelled since 2006. Around 200,000 of these carbon credits were from NZ permanent native forests and when the carbon market “crashed” from around 2009, we maintained a higher than market price for these New Zealand permanent forest owners.

As part of the offsetting requirements of the carboZero programme, we have established a set of credibility criteria for the carbon credits eligible to be used for carboZero certification. These criteria are aligned with the ICROA Code of Best Practice. Enviro-Mark Solutions approves three broad groups of carbon credits for carboZero certification: 1) PFSI (Permanent Forest Sinks Initiative) where there is a QEII or DOC covenant providing at least 100-year permanence, 2) Gold Standard CDM (Clean Development) Mechanism CERs (Certified Emissions Reductions) certified as delivering the Sustainable Development Goals, and 3) Fairtrade Gold Standard CDM CERs that deliver social co-benefits and pay a fair price to the project owner. With respect to vintage, only units issued post 1 January 2013 are currently eligible for carboZero certification. We are currently reviewing what “carbon credits” will be acceptable as voluntary offsetting when the Paris Agreement comes into force including the voluntary approach being proposed by the Gold Standard (where the parties involved include ICROA).

In summary,

• Action on climate change is the focus of our carbon certification programmes designed to assist the transition of businesses to a sustainable low carbon economy;
• We enable businesses to use recognised international standards to robustly measure and report their greenhouse gas emissions, removals and reductions; and
• We provide a science-based framework and tools, aligned with the UN Sustainable Development Goal 13: Climate Action, to assist businesses to understand their carbon footprint, set greenhouse gas emissions reduction targets and implement management projects to reduce these emissions; where possible, through Science Based Targets in line with a 1.5°C limit to global warming;
• We facilitate a significant amount of voluntary offsetting through our carboZero programme where the projects are thoroughly assessed and certified for additionality, permanence, preventing double counting and leakage, and also deliver co-benefits based on the Sustainable Development Goals.

Dr Ann Smith, Chief Executive, Enviro-Mark Solutions Limited
Climate change is occurring much faster than anticipated and its effects are evident worldwide including in New Zealand. The last four years have been the warmest on record, glaciers are retreating, the Arctic and Antarctic ice shelves are becoming unstable and sea levels continue to rise at an accelerating rate. There is an increasing sense of urgency to take action reflected by the actions by business and industry world-wide, the school strike movement, the Extinction Rebellion and other civil society movements.

Over the past nine months, Enviro-Mark Solutions has experienced significant interest from primary sector industry groups and organisations seeking to measure operational greenhouse gas emissions at the farm level. Enviro-Mark Solutions has partnered with Overseer, Beef and Lamb New Zealand, and AsureQuality to develop an on-farm carbon footprint tool that uses core data from Overseer Farm Accounts to produce a farm carbon footprint inventory and report able to be verified and certified in accordance with the international standard ISO 14064-1. A prototype of our farm carbon footprint tool was launched at the 2019 Mystery Creek Field days.

We believe that there are opportunities to reduce operational emissions of farms in the same way as any other business prior to any action to reduce biological emissions from livestock and fertiliser use. We also believe that participation of farms in measuring emissions and identifying achievable opportunities to reduce emissions will act as an incentive to take further climate action. Additionally, we believe there are opportunities to create farm-based carbon credit projects where farms can earn carbon credits – similar to the Australian Carbon Farming Initiative (now called Direct Action). Where a farmer earns income from carbon credits, even if it is only enough to reduce the pay-back period on investment in emissions reduction technology, this participation will change the dialogue with farmers to be positive rather than concerned or resistant.

**Theme 1: What we’re aiming for in the long term**

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

**Proposal 1: Price livestock emissions at the farm level**

From Enviro-Mark Solutions (E-MS) experience working with over 550 clients to reduce carbon emissions, it is clear that and effective measurement is an essential first step in reducing emissions. E-MS therefore considers that pricing livestock emissions annually at the farm level would be the most effective option. Pricing emissions at the processor level would not be effective as individual farmers will have no incentive or motivation to change their behaviours in relation to emissions management as it removes the direct link between on-farm behaviour and the charges applied at the processor level.

E-MS notes the desire for some farmers to understand their wider emissions profile by including transport related combustion emissions beyond the farm gate when measuring their footprints. While E-MS supports the pricing of livestock emissions at the farm level, it is sensible to enable voluntary basis measurement and reporting of emissions beyond the farm gate where farmers wish to do so.

E-MS considers that any calculation method(s) that are set as being appropriate for measuring and reporting of emissions to government is clear and consistent in order to prevent gaming of the system occurring with respect to 2017 baseline year calculations.

One way to overcome this is to ensure that all footprints measured and reported to the government are verified by an independent third-party auditor, accredited by Government for the required competencies and audit processes.

With regard to measurement tools and/or methods, it is E-M’s view that there is a mechanism to enable multiple tools and/or methods to be made available to farmers. The Government should establish a process for the tools and/or methods to be approved as meeting the emissions measurement and reporting requirements of the regulation i.e. approved by the regulator as a “route to compliance”.

Key Points:

- E-MS supports the pricing of livestock emissions at the farm level;
- Any compliance system should be designed to enable tools and/or calculation methods for reporting emissions to be approved as meeting the requirements of the regulations;
- All on farm measurements reported to the government should be verified by an independent third party auditor to avoid any potential gaming of the system. This is particularly important for the 2017 baseline year;
- Measurement and reporting of emissions beyond the farm gate that are relevant to a farm should not be precluded and should be supported on a voluntary basis.

Proposal 2: Price livestock emissions at the farm level

E-MS supports the pricing of fertiliser at the processor level as an interim solution until further opportunities to identify options to reduce emissions from fertiliser are established. E-MS reiterates its position that all emissions are best captured within an individual farm footprint to drive behaviour change but acknowledges there are limited options for fertiliser applications. E-MS also understands that relative to other on-farm emissions (e.g. methane from enteric fermentation), nitrous oxide emissions from the application of fertiliser is a small proportion of the overall farm footprint.

Key Points:

- E-MS supports proposal 2 as an interim step;
- E-MS’s preference is for these emissions to be priced at the farm level when further options exist for managing emissions from the application of fertiliser;
- While it is a small component of a farm’s overall footprint, fertiliser use is an area that can be managed without reducing stock numbers.

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?

E-MS supports engaging farmers in climate action through participation in the Emissions Trading Scheme as early as feasible for both livestock and fertiliser. Early understanding of the reporting process and price of emissions will drive action and innovation sooner than if farm-level engagement is delayed. Farms are already experiencing demands for farm-level greenhouse gas emissions data through the supply chain and from processors developing product carbon footprints. Although early participation in the Emissions Trading Scheme has a cost, it also creates opportunity to gain value through the supply chain and through implementing actions to reduce emissions.

Theme 2: Getting started now to get to a farm-level emissions price

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

Legislate the following process to implement a price on livestock emissions at farm level:

a. Farmers pay for their emissions and can receive credit for reductions by 2025

E-MS supports farmers paying for their emissions by 2025 given the time it will take to establish a pricing regime at the farm level, and the various components including developing criteria for approving emissions calculation tools and/or methods.

E-MS reiterates the importance of enabling multiple approved tools and/or methods for measuring and reporting to government or having a pathway for alternative tools and/or methods to be approved by the regulator. Any approved tools and/or methods should be suitable for audit. It is also important to ensure any approved tools and/or methods are developed collaboratively with industry bodies.
E-MS recommends that any such approved tools and/or methods include functionality that can model emissions reductions achieved through on farm mitigations being implemented, and account for any on farm carbon removals and sinks that are positively contributing to reducing a farm’s carbon footprint.

**Key Points:**
- E-MS supports a 2025 initiation of pricing of emissions at a farm level given the complexities involved in establishing such a regime;
- E-MS considers multiple approved tools and methods should be available to farmers for measuring and reporting emissions that are suitable for audit;
- E-MS recommends any such tools and/or methods be capable of accounting for on farm mitigations and removals that positively contribute to a farm’s carbon footprint.

**b. All farmers must report their emissions by 2024**

E-MS supports farmers measuring and reporting their emissions to government by 2024 in order for the pricing regime to take effect in 2025. This step is considered a critical component of the overall regime.

E-MS also supports voluntary measuring and reporting of emissions to government prior to 2024 given that there are already tools available to quantify a farm’s methane, nitrous oxide, and carbon dioxide emissions. E-MS reiterates that behaviour change to reduce emissions and/or take climate action is driven by measurement. The sooner farmers are measuring, the sooner management will occur.

**Key Points:**
- Reporting of emissions by 2024 is required to ensure pricing of emissions commences at 2025;
- Farmers who wish to voluntarily report emissions in the interim should not be precluded from doing so;
- Farmers encouraged to voluntarily report their emissions to the Government from 2023.

E-MS supports voluntary reporting of emissions to government from 2023 but reiterates that earlier reporting is possible given the availability of current tools.

### 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?

E-MS considers that the Government should take into consideration the potential risk of not acting. Pursuing Option 1 as an interim proposal sends a clear message that emissions are going to be priced, albeit indirectly under this interim proposal. However, as identified in the proposal document, the cost of these emissions may be passed on to farmers by the processor through lower pay-outs. This could incentivise early behavioural changes in anticipating farm level pricing in 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?

E-MS supports Option 1 as an interim measure before a regime to establish pricing at the farm level is introduced in 2025. E-MS considers that this sends a clear message that change is imminent and will incentivise farmers to start investigating their carbon footprints and start thinking about how they can be managed when the farm level pricing starts in 2025.

E-MS supports the action plan to support farmers when the implementation of a farm level regime is introduced, and supports funds generated under this option being recycled back into the agricultural sector to support the action plan and its components. E-MS considers the action plan will be a key driver for behaviour change and educating farmers prior to the 2025 regime implementation.

Option 1 is E-MS’s preferred interim option prior to 2025.
E-MS does not support Option 2 as an interim measure prior to 2025 as it is perceived as delaying the inevitable in terms of associating a price with emissions; the longer participation is delayed, the harder it will be to engage farmers. This option comes with a risk that farmers are ill equipped to deal with the financial burden that comes into effect in 2025. It is important that the association of emissions and pricing is applied as soon as possible.

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

E-MS acknowledges the commitment within Option 1 (which it supports) with regard to the development of an action plan that includes iwi and Māori landowners. While there has been a commitment made to involve iwi, it is not clear from the proposal document what this level of engagement will be. E-MS reiterates the uniqueness of Māori owned land and the importance of air as a taonga to Maori and recommends that the process to develop the action plan is collaborative and inclusive of iwi.

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

- options to recognise and reward carbon removals from on-farm vegetation
- barriers to reducing emissions created by non-climate regulation and options to remove them
- how to facilitate opportunities to create new markets for low-emissions products

E-MS supports all other opportunities and barriers for on-farm greenhouse gas mitigation being explored. This is particularly relevant to E-MS’s earlier points re any tools and/or methods including functionality that can account for on farm mitigation measures being modelled, and any on-farm carbon removals positively influencing the farm footprint being accounted for.

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

E-MS considers there are economic impacts both in the short and long term that should be taken into consideration by Government before both the interim and longer-term proposals are formalised. It is evident that there will be economic implications and E-MS recommends the Government makes balanced decisions in consideration of all feedback received on the proposals.

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

N/A

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

N/A

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

N/A

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. E-MS considers that allocation factors should align with any improvements that are made in emissions intensities. This will ensure that emissions and allocation factors are aligned on a like-for-like basis. Any process for updating allocation factors should also be legislated at the outset to ensure the process is defined. This could include specifying the methodology that will be followed to align the allocation factors.

**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. E-MS considers that any future decisions on how any phase down of free allocation of emissions units should be set in legislation and be subjected to a democratic submissions process at the outset. That way the debate can be had now, and if and when any changes are made to emissions units, will ensure a streamlined process can occur which wont hinder the achievements of the targets set out in the Zero Carbon Bill.