

# Climate Implications of Policy Assessment: Disclosure Sheet

This disclosure sheet provides the responsible department's best estimate of the greenhouse gas emissions impacts for New Zealand that would arise from the implementation of the policy proposal or option described below. It has been prepared to help inform Cabinet decisions about this policy. It is broken down by periods that align with New Zealand's future emissions budgets.

## Section 1: General information

General information	
Name/title of policy proposal or policy option:	Amending the CCRA to repeal NZ ETS agricultural obligations
Agency responsible for the Cabinet paper:	Ministry for the Environment
Date finalised:	23 <sup>rd</sup> January 2024
Short description of the policy proposal:	<p><i>This paper seeks Cabinet's agreement on final policy decisions to draft primary legislation to repeal the agricultural obligations in the New Zealand Emissions Trading Scheme (NZ ETS) under the Climate Change Response Act 2002 (CCRA).</i></p> <p><i>More information can be found following the RIS (ETA for RIS is February 2024, <a href="#">Regulatory Impact Statement: Amending the Climate Change response Act to repeal New Zealand Emission Trading Scheme agricultural obligations</a>   <a href="#">The Treasury New Zealand</a>).</i></p>

## Section 2: Greenhouse gas emission impacts

Sector & source	Changes in greenhouse gas emissions in tonnes of carbon dioxide equivalent (CO <sub>2</sub> -e)						Cumulative impact
	2020–25	2026–30	2031–35	2036–40	2041–45	2046–50	
Electricity	-	-	-	-	-	-	-
Transport	-	-	-	-	-	-	-
Industry	-	-	-	-	-	-	-
Waste	-	-	-	-	-	-	-
Agriculture (MT CO <sub>2</sub> -e)	0.16	2.31	4.81	5.51	5.61	5.60	24.00
Land use, land use change and forestry	-	-	-	-	-	-	-

Sector & source	Changes in greenhouse gas emissions in tonnes of carbon dioxide equivalent (CO <sub>2</sub> -e)						Cumulative impact
	2020–25	2026–30	2031–35	2036–40	2041–45	2046–50	
<b>Total</b>	<b>0.16</b>	<b>2.31</b>	<b>4.81</b>	<b>5.51</b>	<b>5.61</b>	<b>5.60</b>	<b>24.00</b>

## Section 3: Additional information

### Additional information

#### Our assumptions are:

- For the purposes of the New Zealand Greenhouse gas inventory reporting, MPI estimates projections of agricultural greenhouse gas emissions. These projections include estimates of the impact of legislated measures that could have an effect on agricultural emissions. One such policy is the pricing of agricultural emissions through the processor-level backstop in the NZ ETS starting in January 2025.
- MPI modelled the agricultural emissions pricing at the processor level with 95 per cent discount rate (the allocation set for the CCRA. These assumptions were based on a “backstop” policy measure to be implemented if the He Waka Eke Noa government-industry partnership does not succeed, and it is unlikely emissions pricing will be implemented this way.
- Research completed by Manaaki Whenua in 2019 has been used to estimate the effect of pricing (see reference section for link). As the modelling was based on lower carbon prices than the current NZU price, we extrapolated the modelled impact of the policy in order for the estimated effect to be consistent with the 2035 carbon price agreed to by agencies. We also discussed our modelling approach with subject matter experts at MPI.
- This resulted in an overall impact on livestock numbers by 2 per cent and 5 per cent for the dairy population and sheep, beef, and deer populations respectively. The effect that this had on agricultural emissions in our WEM scenario can be found in Table 7.
- It has been assumed for the projection modelling that irrespective of whether agriculture is incorporated through the ETS or an alternative farm-level pricing system, the unit price for carbon emissions will be the same as that for forestry under the ETS (i.e. the carbon price path agreed by agencies).
- Further modelling is currently being finalised to provide more up-to-date impacts of agricultural pricing on emissions. The Government is also required to make a decision on how agricultural emissions will be priced in late 2022. These will both be available to inform our next set of projections in mid/late-2023.

## Section 4: Quality assurance

### Quality assurance

The Climate Implications of Policy Assessment (CIPA) team has been consulted and confirms that the CIPA requirements apply to this proposal.

## Quality assurance

This paper requests Cabinet approval for the final policy decisions to draft legislation aimed at repealing agricultural obligations within the New Zealand Emissions Trading Scheme (NZ ETS), as outlined in the Climate Change Response Act 2002 (CCRA). The Government has expressed their intention for a fair and sustainable pricing system for on-farm agricultural emissions by 2030 at the latest that reduces emissions without sending production overseas.

If Cabinet repeals these obligations, it is anticipated to lead to a cumulative increase in expected emissions of around 24Mt CO<sub>2</sub>e for the 30-year period from 2020 to 2050.

This equates to approximately 157kt CO<sub>2</sub>e within the first emissions budget period (2022-2025), 2Mt CO<sub>2</sub>e within the second emissions budget period (2026-2030), and 5Mt CO<sub>2</sub>e within the third emissions budget period (2030-2035).

Repealing these obligations is expected to lead to an increase in emissions because pricing serves as an incentive for emission reduction efforts. Associating a cost with emitting greenhouse gas emissions encourages the adoption of practices and technologies that lower emissions.

The CIPA team has conducted a high-level review of the modelling and deems it reasonable in reflecting the impact of this proposed change.

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