



Departmental Report on the Climate Change Response (Emissions Trading Scheme Agricultural Obligations) Amendment Bill



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Abbreviations

Abbreviation	Definition
AR6	Sixth Assessment Report
CCRA	Climate Change Response Act 2002
DCANZ	Dairy Companies Association of New Zealand
EB2	Second Emissions Budget
EB3	Third Emissions Budget
ERP2	Second Emissions Reduction Plan
ERP3	Third Emissions Reduction Plan
Federated Farmers	Federated Farmers of New Zealand
Fonterra	Fonterra Co-operative Group Limited
FTAs	Free Trade Agreements
GTP	Global Temperature-Change Potentials
GWP	Global Warming Potential
HWEN	He Waka Eke Noa – Primary Sector Climate Action Partnership
IPCC	Intergovernmental Panel on Climate Change
MFAT	Ministry of Foreign Affairs and Trade
MfE	Ministry for the Environment
MPI	Ministry for Primary Industries
NDCs	Nationally Determined Contributions
NZ ETS	New Zealand Emissions Trading Scheme
PCO	Parliamentary Counsel Office
RIS	Regulatory Impact Statement

Part A

Report Structure

1. This report has been prepared by MfE and MPI. It provides an analysis of the submissions received by the Primary Production Select Committee in relation to the Climate Change Response (Emissions Trading Scheme Agricultural Obligations) Amendment Bill (the Bill).
2. It is structured by submission position on the Bill, summarising submissions in support of and in opposition to the Bill, Māori/iwi concerns, and other matters raised. Officials' comments and recommendations in response to submissions are provided alongside submission summaries. Appendix One contains the list of submitters.
3. Selected quotes from submissions have been included in this report. They have been selected for their value in illustrating issues raised, or because they articulate issues in a way that is difficult to paraphrase without losing the original meaning. Their inclusion in this document does not imply that they are weighted over and above submissions that have not been cited.
4. When referring to a quantity of submissions, this report refers to the classification terms in Table 1:

Table 1: Classification terms for referencing submission quantities

Classification	Definition
A small number	Less than 5%
Few	5 to 15%
Some	16 to 25%
Many	26 to 50%
Majority	More than 50%

The Bill

5. The Bill repeals all NZ ETS obligations for agricultural activities, by repealing Part 5 of Schedule 3 of the CCRA and all associated agricultural-specific provisions; amends cross-references to the above provisions; revokes related secondary legislation; and creates

transitional provisions, including for the de-registration of participants that are no longer required to report.

6. The Bill aligns with action 12 of the Government’s Action Plan for 1 April to 30 June 2024, to “Finalise policy to keep agriculture out of the ETS”. It also supports the National Party’s manifesto commitments to “keep agriculture out of the ETS” and to “implement a fair and sustainable pricing system for on-farm agricultural emissions by 2030 that reduces emissions without sending production overseas”.

Submissions Received on the Bill

7. Public submissions on the Bill opened on 1 July 2024 and closed on 28 July 2024. A total of 581 submissions were received. A full list of submitters is provided in Appendix One.
8. Oral hearings were held on 8 and 22 August 2024. Twenty-eight submitters were scheduled to present to the Primary Production Select Committee. However, only twenty-six were heard as two did not appear.
9. The majority of submissions were from individuals. Submissions were also received from industry representatives, environmental non-governmental organisations, and community groups, councils, and iwi organisations.
10. Submissions provided a range of reasons for their position on the Bill. These are summarised in Part B and Part C of this report. Listed in Table 2 is the approximate quantity of submissions in support of and in opposition to the Bill, as well as submissions out of scope or with an uncertain position.

Table 2: Summary of submissions’ position

Position	Percentage
Support the Bill	65%
Oppose the Bill	30%
Uncertain/ Out of Scope	5%

Summary of Recommendations

11. Officials have analysed the submissions received and considered the Government's policy on the Bill and recommend progressing the Bill without amendment.
12. Submissions did not identify any unintended consequences, administrative errors, or inconsistencies with the Government's policy intent that require amendment. The Bill, as drafted, gives effect to the Government's objective to remove agriculture from the NZ ETS, and has been factored into the Government's wider emissions reduction strategy, including consideration of ERP2.
13. The final wording of any provision is subject to PCO advice. PCO may make minor or technical changes to improve the workability of the Bill and the clarity of the drafting.

Part B

Submissions in Support of the Bill

Quantity of submissions

14. Sixty-five percent of submissions received supported the Bill in removing agriculture from the NZ ETS. Submissions in support of the Bill were from individuals, and the following organisations: Business New Zealand, Caritas Aotearoa New Zealand, DairyNZ, DCANZ, Federated Farmers, Fonterra, Horticulture New Zealand, New Zealand Pork, and Vegetables New Zealand.

Summary of key points from submissions in support of the Bill

15. Submissions in support of the Bill generally provided reasoning as outlined below.

Emissions leakage

16. Many submissions emphasised that New Zealand farmers¹ are world leaders in producing carbon efficient agricultural products, and that including agriculture in the NZ ETS would result in an increase in global emissions, as production would shift to less efficient countries.
17. A few commented that agriculture in the NZ ETS would be “counterproductive”, with one individual stating that “it is ... counterproductive as emissions from less efficient farmers will increase when they replace N.Z.'s market share”. Overall, these submissions argued that including agriculture in the NZ ETS would lead to emissions leakage.

Officials’ Comment and Recommendation

18. The Bill, as drafted, removes agriculture from the NZ ETS and therefore addresses emissions leakage concerns. Also of relevance to these points is the Government’s commitment to a fair and sustainable pricing system at the farm level, that does not send production overseas, by no later than 2030.

¹ For the purposes of this report, “farmers” includes growers.

ETS not fit for agriculture

19. Some submissions stated that they support the Bill as the NZ ETS is not fit for purpose for the agriculture sector. DCANZ argued that “pricing on-farm emissions at the processor level is not an effective behaviour change policy”.
20. Some submissions, including from stakeholders,² stated the NZ ETS would be too complex for farmers, and create too many challenges, including administrative, compliance, and data management issues.
21. Federated Farmers and Horticulture New Zealand noted that farmers must have access to cost-effective mitigation tools before any agricultural pricing is implemented, stating that it is unfair to impose such a cost on farmers when they don’t have viable alternatives. They noted that farmers are already under considerable financial pressure.

Officials’ Comment and Recommendation

22. There are a number of policy and operational issues and/or problems that would be associated with including agricultural activities in the NZ ETS under the current provisions in the CCRA. These include:
 - a. Agricultural participants would face a single price per tonne of carbon dioxide equivalent, which may be perceived as contrary to the Government’s commitment to taking a split-gas approach (that treats biogenic methane, which is a short-lived rather than long-lived gas, differently);
 - b. If costs were passed on by processors to farmers on a general per kilo of product basis, this would be unlikely to effectively incentivise farmers to directly reduce their on-farm emissions and/or support improving emissions intensity (as all farmers would be treated the same regardless of their individual efficiency). However, this would be a temporary issue if farm-level costs were eventually implemented; and
 - c. Including farm level obligations in the NZ ETS could bring around 100,000 additional participants into the NZ ETS. This presents significant administrative, compliance, and

² Federated Farmers, Fonterra, Caritas Aotearoa New Zealand, Business New Zealand, Horticulture New Zealand, and New Zealand Pork.

data management challenges (which would likely require significant resource to resolve for only short-term benefit given the Government's commitment to developing a separate system for pricing agriculture emissions at the farm level no later than 2030).

23. The Bill removes all agricultural activities from the NZ ETS and therefore addresses all concerns raised about the suitability of the NZ ETS as a mechanism for pricing agricultural emissions.

Agriculture is an important sector

24. Many submissions commented on the importance of the agricultural sector, stating that it is one of New Zealand's largest and most valuable exporters. They expressed concern that New Zealand's economy would be significantly impacted should agriculture remain in the NZ ETS.
25. Many submissions, including from Business New Zealand, stated that pricing agriculture through the NZ ETS would lead to a loss in farm production in the absence of mitigation technologies, and therefore have negative economic and financial consequences for the country.
26. There was a concern from submissions within this category that New Zealand would have to import food from countries that do not price agricultural emissions. Others noted that we need agricultural products to survive and that we should leave farmers in New Zealand to provide this for us without "taxing them".
27. Federated Farmers view agriculture in the NZ ETS as "a reckless attack on farmers", noting that the Government should not increase regulations for farmers.

Officials' Comment and Recommendation

28. Figures from the Ministry for Primary Industries Situation and Outlook for Primary Industries illustrates the importance of the agricultural sector to New Zealand's economy. The report for June 2024 showed that the food and fibre sector contributed to around

\$54.6 billion in export revenue, 80.9 percent of merchandise exports, 12.8 percent of employment and 10.5 percent of GDP.

29. Officials do not consider that these submissions raise any points that require amendments to be made to the Bill.

Methane science and target considerations

30. A few submissions claimed that the warming impact of methane is not correctly reflected in New Zealand emissions profile, and therefore NZ ETS agricultural emissions pricing is not necessary.
31. A few submissions, including those from Federated Farmers and DairyNZ, referred to the Methane Science and Target Review. They argued that decisions on pricing and targets should not be made until after the Methane Science and Target Review is complete and the Independent Panel present their findings, as this would support a more informed response. A few submissions also consider there to be a disconnect between methane's warming impact and New Zealand's policy approach to the gas.
32. Other submissions commented that methane does not impact global warming, that its impact has been exaggerated, and that they do not believe in climate change. A small number of submissions also questioned whether farmers really impact climate change, and whether climate change should be considered a relevant issue.

Officials' Comment and Recommendation

33. The Government has established an independent panel to review the science of methane and provide information on what our domestic 2050 biogenic methane target should be consistent with the principle of no additional warming. The review will provide an up-to-date evidence base for the Government to consider as part of future policy work on the 2050 target.
34. The Climate Change Commission will also be reviewing the 2050 target this year. The Methane Science and Target Review will inform the Government's response to the

Commission's report in 2025.

35. The Bill repeals surrender obligations from the NZ ETS at both processor and farm level; it does not affect targets or greenhouse gas accounting. Therefore—and noting that the Government will be considering the 2050 target next year—officials do not recommend any changes to the Bill related to methane science and target concerns.

Consistency with split gas approach

36. A small number of submissions raised concerns about the design of the NZ ETS, saying it does not differentiate between long-lived and short-lived gases. Federated Farmers said they disagree with the NZ ETS framework as it applies a single price to all greenhouse gases, which contradicts the intended split-gas pricing approach of New Zealand's legislated split gas targets.

Officials' Comment and Recommendation

37. These submissions raise any points that require amendments to be made to the Bill; removing agriculture from the NZ ETS supports consistency with a split gas approach. Also relevant is that the New Zealand National Party and New Zealand Act Party Coalition Agreement, and the National Party Manifesto, commit to a split gas approach.

Climate crisis and the need for climate response

38. While not supporting the inclusion of agriculture in the NZ ETS, a small number of submissions expressed concern for the environment, recognising that climate change is important and that the New Zealand Government must address the "climate crisis". Submissions identified that New Zealanders are "stewards and caretakers of the environment" and must take action to mitigate climate change but that including agriculture in the NZ ETS will not achieve this.
39. A few submissions, including from Horticulture New Zealand, noted that we need to find solutions to reduce agricultural emissions that reward the most efficient producers, so that they continue to promote innovation and stewardship of the environment.

Officials' Comment and Recommendation

40. *Officials do not recommend any changes to the Bill in response to these points. The ERP ERP2, which accounts for taking agriculture out of the NZ ETS, and future emissions reduction plans will outline the policies and strategies New Zealand will take to meet emissions budgets.*

Impact on competition

41. A small number of submissions were concerned that the cost of agriculture in the NZ ETS would be unfair and too burdensome for farmers. This expense would negatively impact New Zealand exports and competition in the global market, as the cost of business would be higher than other producers in the international market.
42. Consequently, these submissions were concerned that this would weaken New Zealand's economy, and lead to a high cost of living for all New Zealander's having to import most, if not all, agricultural products.

Officials' Comment and Recommendation

43. As noted in paragraph 28, the food and fibre sector plays a significant role in New Zealand's economy. The Government has committed to supporting farmers and the agriculture sector to reduce emissions so that it does not put farmers out of business or shift production offshore to less carbon-efficient producers. As these concerns were based on agriculture remaining in the NZ ETS, officials do not recommend any changes to the Bill which removes all agricultural activities from the NZ ETS.

Part C

Submissions Opposing the Bill

Quantity of submissions

44. 30 percent of submissions opposed the Bill and recommended that agriculture is kept in the NZ ETS. Submissions opposing the Bill were from individuals, and the following organisations: Animal Justice Auckland, Caritas Aotearoa New Zealand, Climate Club Aotearoa, Climate Justice Taranaki Incorporated, Compass Climate, Environment and Conservation Organisations of New Zealand Incorporated, Environmental Defence Society Incorporated, Generation Zero, Greenpeace Aotearoa, Justice and Peace Commission Catholic Diocese of Auckland, New Zealand Association for Environmental Education, Ngāi Tai ki Tāmaki Trust, Otago Regional Council, Otago University Students Association, Parents for Climate Aotearoa, Takahiwai Māori Committee, and the Royal Australasian College of Physicians.

Summary of key points from submissions opposing the Bill

45. Submissions opposing this Bill provided the following reasons:

Climate change concerns

46. Most opposing submissions stated that the Bill is inconsistent with the “reality of the climate crisis”. These submissions raised the importance of the natural environment, the impacts of climate change, the threat that climate change presents to “survival of all species”, and the need for the Government and all New Zealanders to take urgent action to address the “climate crisis”. Submissions argued that climate change impacts are intensifying, and noted impacts such as extreme weather events, disruptions to global food security, loss of species, imbalance in the global ecosystem, and effects on economic, health and social wellbeing.
47. Some submissions pointed to the impact of climate change on farming and food production, noting that reducing agricultural emissions is a critical step to securing the future of the agricultural sector as well as other sectors.

48. Many submitters mentioned that the Bill is a “betrayal of future generations” who will bear most of the costs and impacts of climate change. Some submissions also noted that the Bill endangers native species of plants.
49. Generally, submissions opposing the Bill raised the above climate change concerns and added that the Bill is inconsistent with the critical need for urgent climate action. These comments were made by both individuals and organisations including Ngāi Tai ki Tāmaki Trust, Greenpeace, The Royal Australasian College of Physicians, Parents for Climate Aotearoa, Justice and Peace Commission - Catholic Diocese of Auckland, Otago University Student’s Association, Animal Justice Party Aotearoa, Climate Justice Taranaki, and Otago Regional Council.

Officials’ Comment and Recommendation

50. Officials do not recommend any changes to the Bill in response to these points, including because ERP2, which accounts for taking agriculture out of the NZ ETS, and future emissions reduction plans will outline the policies and strategies New Zealand will take to meet emissions budgets. Climate change is one of the nine Government Targets announced in April 2024 to focus the public sector on achieving better results in health, education, law and order, work, housing and environment. Target 9 reaffirms the Government’s commitment to meet New Zealand’s 2050 net zero climate change targets, with total net emissions of no more than 290 megatonnes from 2022 to 2025 and 305 megatonnes from 2026 to 2030.

Fairness and equity

51. Many submitters who opposed the Bill expressed that it is unfair and/or inequitable to exempt agriculture from paying for its emissions, given agriculture is such a significant contributor to New Zealand’s emissions profile. Parents for Climate Aotearoa, Justice and Peace Commission Catholic Diocese of Auckland, Animal Justice Auckland supported this view.
52. Many submissions argued that agriculture should “play its part”, and that excluding agriculture from the NZ ETS could weaken climate action overall. Submitters noted that failure to include agriculture in the NZ ETS means animal farmers are essentially free riding

on other industries, which are captured by the NZ ETS, particularly if no alternative pricing scheme is introduced.

53. Greenpeace, Generation Zero, Animal Justice Auckland, and Parents for Climate Aotearoa expressed that the costs of climate change will fall to the most vulnerable and that those who pollute the most should pay the highest price. The New Zealand Association for Environmental Education noted that removing agriculture from the ETS sends the wrong message on the importance of environmental responsibility. Animal Justice Auckland claimed that the decision to exclude agriculture from pricing is not based on science or consistent ethics, rather “entrenched privilege”.
54. Other views highlighted by submissions were:
- a) That the inclusion of agricultural activities in the NZ ETS is crucial for showing the next generation of decision-makers, workers and citizens that all sectors of today's generation must be accountable for their environmental impacts;
 - b) The Bill does not keep future generations in mind; and
 - c) The Bill will discourage farming businesses to undertake green research and development which would otherwise promote efficiency and productivity in the long-term.

Officials' Comment and Recommendation

55. The CCRA requires the Government to ensure the policies and strategies in ERP2 are sufficient to meet EB2. The Government must monitor New Zealand's progress towards meeting emissions budgets and take action if it becomes known that it is likely an emissions budget will not be met. The Government has recognised the important role the agriculture sector plays in New Zealand's economy, and in meeting New Zealand's climate change targets.
56. The Government recently consulted on ERP2, which covers the period 2026 – 2030. ERP2, which includes the proposed policies and actions New Zealand will take to meet EB2 and must be sufficient to meet EB2, accounts for the removal of agriculture from the NZ ETS.

For the agriculture sector, proposed ERP2 actions to support emissions reduction include:

- a. Committing over \$400 million over the next four years to accelerate the commercialisation of tools and technology to reduce on-farm emissions;
 - b. Scaling up funding for the New Zealand Agricultural Greenhouse Gas Research Centre, where a further \$50.5 million will be invested over five years, in projects to develop: a methane vaccine; a low emissions ryegrass; a slow-release methane-inhibiting bolus; and various methane reducing probiotics;
 - c. Supporting uptake of mitigation technologies;
 - d. Developing a standardised calculation methodology for greater consistency, and to support on-farm emissions measurement by 2025. This is an important step to help recognise on farm practice change and farm level progress; and
 - e. Committed to fair and sustainable pricing system of agricultural emissions, that does not send production overseas, by no later than 2030.
57. The Government will consider feedback from consultation on ERP2 before publishing the final ERP2 before the end of 2024. The purpose of this Bill is to remove agriculture from the NZ ETS, and given the Government's emission reduction commitments, including those set out in the draft ERP2, officials do not recommend any changes to the Bill.

NZ ETS is a sufficient framework

58. Many submitters who opposed the Bill noted that the NZ ETS provides a legislative framework and incentive for reducing agricultural emissions, and that not including agriculture would devalue the scheme. Submitters commented that the NZ ETS is "not perfect" but is the best option to reduce agricultural emissions available at this time.
59. The Environmental Defence Society submitted that alternative proposals such as HWEN have failed to produce any tangible results and have wasted time that could have been spent reducing emissions.

60. Other points raised included that agriculture has had enough time to develop an alternative pricing system and has failed and therefore should be included in the NZ ETS, and that the information and transaction costs of farmers measuring, monitoring, and reporting emissions does not amount to a reason not to have them in the NZ ETS.

Officials' Comment and Recommendation

61. Paragraph 22 comments on the challenges and issues with including agriculture into the NZ ETS.
62. Given the challenges with including agriculture in the NZ ETS, and the Government's commitment to keep agriculture out of the NZ ETS and introduce a fair and sustainable pricing system no later than 2030, officials do not recommend any changes to the Bill based on these submissions.

Retaining ETS obligations

63. A small number of submissions that did not support the Bill outlined different ways to retain NZ ETS obligations, particularly at the processor level. Compass Climate supported retaining processor level obligations as a backstop as it provides an alternative option if farm level pricing outside of the NZ ETS is not achievable.
64. Compass Climate also submitted that having nitrous oxide emissions in the NZ ETS would enable participants to take a 'net' approach to balancing nitrous oxide emissions with carbon dioxide removals and could provide those managing nitrous oxide net obligations more flexibility than a separate stand-alone system.
65. Compass Climate submitted that:

if the ETS were to follow a "split-gas" policy approach consistent with the split-gas 2050 target, biogenic emissions from landfills would be removed from the ETS and nitrous oxide would be included (as one of the gases in the net-zero target).

66. The Nelson Tasman Climate Forum proposed retaining NZ ETS obligations for manufacturer and importers of synthetic nitrogen fertiliser, as recommended by the Climate Change Commission in 2022.

Officials' Comment and Recommendation

67. The *Regulatory Impact Statement: Amending the Climate Change Response Act to repeal New Zealand Emission Trading Scheme agricultural obligations* sets out the range of options presented to Ministers and includes the option of retaining NZ ETS obligations at the processor level as a backstop to encourage progress towards an alternative emissions pricing system. This option was not progressed as it did not align with the Government's commitment to keep agriculture out of the NZ ETS. The Government is committed to developing a pricing system for agricultural emissions no later than 2030.
68. Fertiliser emissions are a relatively small portion of nitrous oxide emissions. In New Zealand's 2022 National Greenhouse Gas Inventory, nitrous oxide was 15 percent of agricultural emissions and 8 percent of overall gross emissions. Most agricultural nitrous oxide emissions (69 percent) are generated by the deposition of animal dung and urine on pastures, with the application of synthetic fertiliser onto soils accounting for 18 percent.
69. There are numerous considerations in managing nitrous oxide emissions beyond the treatment of fertiliser. For example, for every unit of nitrogen deposited, nitrous oxide emissions are much lower on steep land. These differences are thought to be due to these soils having lower soil fertility, nitrogen status and moisture content compared with less steep slopes. Farm-level reporting systems can recognise these differences, whereas processor-level systems cannot.
70. Past analysis undertaken by HWEN, the Climate Change Commission, and the previous Government have discussed the trade-offs of pricing synthetic fertiliser emissions at different points of obligations e.g. at the importer and manufacturer level or at the farm level. These trade-offs include the ability to incorporate future mitigation and sequestration, administration costs, impacts on behaviour change and emissions reduction. There are benefits and trade-offs in both approaches.

71. Retaining fertiliser in the NZ ETS would be inconsistent with the Government's policy of removing agriculture from the NZ ETS. The treatment of emissions from fertiliser will be considered as part of the broader agricultural emissions mitigation policy.
72. As a point of clarification in response to Climate Compass' concerns on split gas and the NZ ETS including waste, waste is about 8.5 percent of total biogenic methane, and about 4.5 percent of New Zealand's gross emissions - and that not all these waste emissions are subject to the NZ ETS. MfE estimates 38 percent of waste emissions are covered by the NZ ETS (there are 30 municipal landfills in New Zealand covered by the NZ ETS that receive a lot of organic waste, which decomposes into methane).
73. Given the Government's commitment to keep agriculture out of the NZ ETS, and the benefits associated with considering emissions from fertiliser as part of broader agricultural emissions mitigation policy, officials do not recommend any changes to the Bill in response to these submissions.

Climate change targets

74. Some submissions that opposed the Bill considered that it is important that New Zealand meets its climate change targets and expressed a view that keeping agriculture in the NZ ETS is necessary to achieve this.
75. Compass Climate, Animal Justice Party Aotearoa, Environmental Defence Society, and Parents for Climate Aotearoa noted that all greenhouse gas emissions count and that, in their view, treating agriculture differently to other sectors prioritises economic gains over climate targets; hinders or slows down progress towards emissions reduction targets; and/or delays critical climate action. These submissions added that to meet targets, the Bill would put a disproportionate burden on other sectors of the economy to reduce emissions.
76. Greenpeace Aotearoa argued that ERP2 indicates that New Zealand is unlikely to meet the 2035 budget, and the 2050 net-zero goal. Therefore, they argued this Bill makes it less likely that any targets will be met.
77. Greenpeace, Environmental Defence Society, and Climate Justice noted that the RIS associated with the Bill notes a higher risk of New Zealand not meeting targets if an

alternative pricing system is not established. It was also noted that there is limited evidence that the alternative pricing system will be effective in meeting targets.

78. Other views opposing the Bill concerning climate change targets were that:
- a. The Bill increases the risk of New Zealand not meeting its commitment under the Paris agreement, and therefore may have to pay for failure to meet. This would be through fines or the purchase of offshore units with the final financial burden resting on taxpayers;
 - b. The Bill will delay New Zealand's transition to a low emission economy;
 - c. Meeting climate change targets are important for healthy and thriving rural communities and slowing down the impacts of climate change; and
 - d. The Bill disincentivises emissions reductions in the agricultural sector.

Officials' Comment and Recommendation

79. ERP2 must be sufficient to meet EB2. The scope of EB3 is from 2031 to 2035. ERP3 will be required to meet EB3 (that is, the 2035 budget). Collectively, this supports emissions budgets acting as stepping stones to reaching New Zealand's 2050 targets.
80. As the impacts of the Bill are considered in ERP2 (that is, ERP2 accounts for this change), officials do not recommend any changes to the Bill based on these submissions.

International reputation and market access

81. Many submissions opposing the Bill, including from Greenpeace Aotearoa and Environmental Defence Society, argued that removing agriculture from the NZ ETS is retrogressive, will impact New Zealand's 'clean green' reputation, and in turn impact trade relations.

82. These submissions added that inaction on agricultural emissions will impact the tourism and export industries as New Zealand relies on its reputation as world leader in eco-friendly farming practices.
83. A small number of submissions were concerned about the impact of removing agricultural emissions obligations on international market expectations and trade agreements. Of these submissions, a majority noted that New Zealand's heavy reliance on the primary sector exports require New Zealand, as an international trading partner, to meet international climate and trading obligations and expectations to maintain access to our biggest customer base.
84. Of the submissions concerned with market access, many pointed to the role that the world's markets growing climate expectations have on food production with markets increasingly requiring demonstratable credibility that products are produced sustainably.
85. Without a clear and actionable alternative plan to reduce agricultural emissions, submissions were concerned that there are economic, legal, and reputational risks to exporters and to New Zealand's green image (which they consider is critical for New Zealand's exports). Submissions noted that they considered there was a risk of agricultural goods being rejected by overseas markets or taxed on entry to account for embedded carbon emissions (i.e. the European Union's Carbon Border Adjustment Mechanism), effectively penalising New Zealand for pulling back on its climate policy.

Officials' Comment and Recommendation

86. MFAT was consulted as part of the Bill's development and confirmed that the Bill is not inconsistent with New Zealand's international obligations. In regard to FTAs, the obligations in New Zealand's FTAs do not impose additional commitments on the agriculture sector in relation to the Bill, and the Bill will not affect the ability of New Zealand agriculture sector exporters to access tariff preferences under FTAs.
87. Given the advice from MFAT that this Bill is not inconsistent with New Zealand's international obligations, officials do not recommend any changes to the Bill based on these submissions.

Support farmers to reduce emissions

88. Many submissions opposing the Bill also argued that the Bill is a disservice to farmers. These submissions state that New Zealand farmers are, and want to be, “good stewards of the land”. A few submissions suggested that because farmers are among the most affected by climate change, they are eager to make changes to support a sustainable and resilient future and noted some have been adjusting farming practices to this effect over time.
89. These submissions note that farmers need regulatory stability and certainty to contribute positively to climate action. Submissions also stated that the Government should support farmers to obtain the necessary skills and knowledge to contribute positively to the environment.
90. Generation Zero, Otago University Student’s Association, and Otago Regional Council added that the Bill undermines farmers’ demonstrable efforts (to adapt, innovate and compete) and significant investment towards reducing on-farm emissions. These submissions argued that New Zealand farmers have demonstrated accountability for on-farm emissions and have the ability to set the standard of sustainable agricultural practices. They consider the Bill discredits farmers’ lived realities of the impact of climate change.
91. Environment and Conservation Organisations of NZ considers that the Bill removes farmers’ autonomy as those best placed to make farm decisions.

Officials’ Comment and Recommendation

92. The issues raised in this section relate to the overall management of agricultural emissions as part of New Zealand’s broader climate strategy. The Government recently consulted on the ERP2 which invited the public to make submissions on New Zealand’s approach to reducing agricultural emissions. Therefore, officials do not recommend any changes to the Bill based on these submissions.

Part D

Māori/Iwi Concerns

93. A small number of submissions raised concerns that changes to the Bill did not meet the Crown's obligations under Te Tiriti o Waitangi, the Treaty of Waitangi.
94. Ngāi Tai ki Tāmaki Trust oppose the Bill, noting that the Bill significantly impacts Māori rights and interests in natural resources, both pre and post settlement.
95. Ngāi Tai ki Tāmaki also noted that the repealing of Te Tiriti and Treaty of Waitangi clauses 3A(b)(i) and (xi) and 3B(1)(j) and (r) breaches the intent of the Ngāi Tai ki Tāmaki Claims Settlement Act 2018, and the Crown Apology.
96. Ngāi Tai ki Tāmaki Trust recommend:
 - a. That any and all references to upholding Te Tiriti o Waitangi, the Treaty of Waitangi, its principles and acknowledging those Claim Settlement Acts already in place remain in the Act, and iwi Māori continue to be consulted.
 - b. Specifically, that sections 3A(b)(i) and (xi), and 3B(1)(j) and (r) not be repealed.
 - c. A 6-month timeline for the EPA to remove agricultural participants from the scheme is easiest to be done broadly in one fell swoop rather than measuring each participant against appropriate criteria, however, Ngāi Tai would recommend the timeframe be extended for this to occur.
 - d. That the backstop provision to ensure accountability and incentives for emissions reduction in agriculture is restored.
97. A small number of submissions raised concerns that the Bill neglects input from tangata whenua due to insufficient partnership and engagement from Māori/iwi. Submissions noted that HWEN included partnership with Māori, and with the disestablishment of HWEN, there must be some mechanism to meaningfully engage with iwi. A small number of submissions recommended the Government include Māori representation in the

Pastoral Sector Group.

Officials' Comment and Recommendation

98. To meet the Government's commitment to keep agriculture out of the NZ ETS, legislative changes are required in 2024 to prevent NZ ETS obligations from starting on 1 January 2025. Timescales to progress legislative changes means there is not time for extensive consultation on the Bill's policy. However, the issues have been canvassed widely in previous work, including consultation for the s215 report in October 2022, in the consultation on the Order in Council for deferring animal farmer obligations in September 2023, and as part of the implementation of the standardised emissions methodology and calculation.
99. From these engagements, some Māori submitters:
- a. Did not support an interim processor levy citing the compliance cost and complexity that would lead to inefficient outcomes with the approach providing no real incentive for farmers to reduce emissions. There were concerns that the interim processor levy could become entrenched rather than it being truly interim.³
 - b. Considered that there would be increased administrative costs as a result of animal farmers' obligations under the NZ ETS.⁴
100. The Bill repeals agriculture-specific references and obligations throughout the CCRA to reflect the removal of agricultural activities from the NZ ETS, including the following sections outlined by Ngāi Tai ki Tāmaki Trust:
- a. 3A(b)(i) and 3A(b)(xi) - relates to the Crown's responsibility to give effect to the principles of te Tiriti o Waitangi, the Treaty of Waitangi, and requires the Minister to consult representatives of iwi and Māori that have interests in secondary legislation related to when agricultural NZ ETS obligations start, and for eligible agricultural activities; and

³ Pricing Agricultural Emissions consultation, 2022.

⁴ Deferral of NZ ETS reporting obligations for animal-farmers activities, 2023.

- b. 3B(1)(j) and 3B(1)(r) - requires the Minister to consult before the making of secondary legislation relating to eligible agricultural activities and voluntary reporting or surrender for animal-farmer or fertiliser-farmer activity.
101. These clauses are being repealed as Ministers will not have a purpose for consultation given the Bill will remove agriculture from the NZ ETS.
102. Officials consulted with the EPA on the six-month timeline to remove agricultural participants from the NZ ETS. The EPA advised this is an appropriate timeframe and that EPA's removal from the register has no effect on the date that the participant ceases to be a participant under the CCRA, being the commencement date.
103. Ngāi Tai ki Tāmaki Trust expressed concern that the Crown's requirement to consult with interested iwi and Māori on secondary regulations on sectors that remain in the NZ ETS (forestry, liquid fossil fuels, stationary energy, waste, industrial processes) would be removed. This is not the case: the Crown's requirement to consult in these areas remains unchanged.

Part E

Other Matters Raised

104. Many submissions also raised suggestions supplementary to their position on the Bill.

Future on-farm pricing comments

105. Some submissions expressed support in implementing an agricultural pricing system that is fit for purpose and different to the NZ ETS. There were also comments showing commitment to reducing emissions in a practical cost-effective way that supports farmers. Among these submissions, DCANZ stated that they:

maintain their commitment to work in good faith with the Government to design a practical and effective pricing mechanism for on-farm emissions 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.

106. Fonterra's submission contained a similar commitment, acknowledging that a farm-level emissions pricing system is the most appropriate mechanism to reduce emissions.

107. Caritas Aotearoa New Zealand recommends seeking "a system to further enhance our agricultural sector efficiency ... that will reward the most efficient producers, to continue promoting innovation and stewardship of our climate".

108. A few submissions from stakeholders stated that they are interested in transparent engagement with the Government in creating a pricing system that works for farmers. Fonterra stated that they "welcome ongoing engagement with the Government and industry partners to develop such a system alongside the introduction of emissions reporting".

109. Horticulture New Zealand and New Zealand Pork were particularly concerned about their involvement in any pricing scheme, arguing that their greenhouse gas emissions are low compared to the dairy and beef sectors. However, they noted they are still committed to

reducing their environmental impact and are interested in engaging with the Government to do this.

Alternative policy suggestions

110. A few submissions suggested alternative and/or complementary ideas for managing agricultural emissions including:
- a. Replacing the NZ ETS with a carbon tax on fuel levied at source or port of entry;
 - b. Increasing carbon sinks, including wetlands, to support sequestration and wildlife;
 - c. Maintaining a sustainable ratio of livestock to trees;
 - d. Increased use of clean energy such as hydro, solar and wind power for the production of emissions-intensive products like powder milk;
 - e. Encouraging organic and regenerative farming as well as diversification instead of traditional farming approaches;
 - f. Transitioning to plant-based agricultural systems;
 - g. Amending the ETS to make it fit to accommodate the complexities of the agricultural sector; and
 - h. Regulating dairy herd size.

New Zealand's ERP2

111. A small number of submissions expressed concern that there is little detail in ERP2 to understand whether there will be a pricing system in place by no later than 2030.

The role of banks

112. A few submissions commented on the role of banks, arguing that agricultural emissions should not be considered by banks. The Finance and Expenditure Select Committee has opened an inquiry into banking competition on 14 August 2024 and consider that these submissions may have been wrongly submitted under this Bill, particularly given this Bill does not involve banks or the banking sector.

Industrial Allocation

113. Horticulture New Zealand and Vegetables New Zealand used their submissions to raise concerns about industrial allocation and the effects of reducing industrial allocation on greenhouse vegetable growers.⁵ These submitters raised concerns that the gradual reduction in industrial allocation will make many small greenhouse growing operations unviable due to the large costs required for energy switching.

Officials' Comment and Recommendation

114. The Bill focuses on removing agricultural activities from the NZ ETS and issues related to industrial allocation for agricultural businesses are not within scope of the Bill. That is, the Bill makes no amendments to industrial allocation settings for activities already facing surrender obligations in the NZ ETS. Therefore, officials do not recommend any changes to the Bill as industrial allocations issues are not within scope of the Bill.

⁵ Industrial allocation is the allocation of New Zealand Units to a business carrying out an activity (production processes i.e. significant fuel and energy use) that is recognised as being impacted by the NZ ETS, affecting their global competitiveness. These activities need to meet the criteria of being emissions intensive and trade exposed activity.

Appendix One: List of submitters

9(2)(a)



Animal Justice Auckland

Animal Justice Party Aotearoa New Zealand

9(2)(a)



9(2)(a)

Business New Zealand

9(2)(a)

Caritas Aotearoa New Zealand

9(2)(a)

Climate Club Aotearoa

Climate Justice Taranaki Incorporated

9(2)(a)

Compass Climate

9(2)(a)

Dairy Companies Association of New Zealand

Dairy Companies Association of New Zealand

DairyNZ

9(2)(a)

Environment and Conservation Organisations of NZ Inc

Environmental Defence Society Incorporated

9(2)(a)

Federated Farmers NZ

9(2)(a)

9(2)(a)

Fonterra Cooperative Group

9(2)(a)

Fridays for Future Whanganui

9(2)(a)

Generation Zero

9(2)(a)

Greenpeace Aotearoa

9(2)(a)

9(2)(a)

Horticulture New Zealand

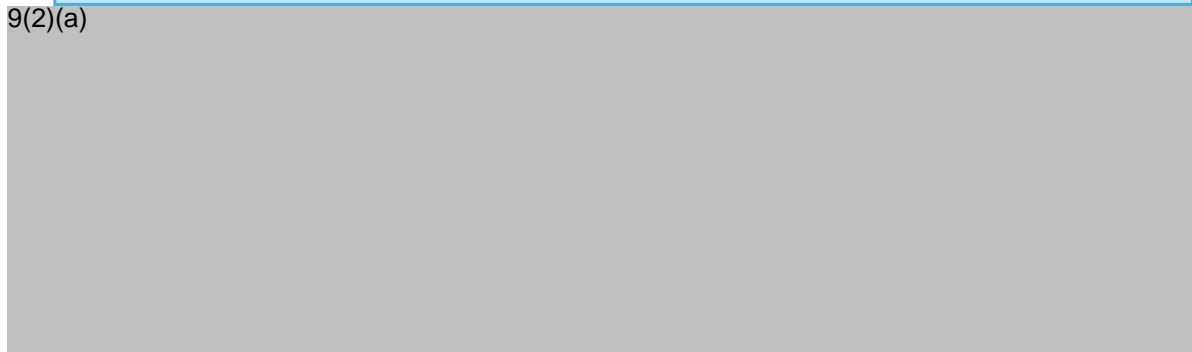
9(2)(a)

9(2)(a)



Jonkers Farmlands Ltd

9(2)(a)



Justice and Peace Commission Catholic Diocese of Auckland

Justice and Peace Commission Catholic Diocese of Auckland

9(2)(a)



Kurow Wools Ltd

9(2)(a)



9(2)(a)



Maia Manawanui Whenua Limited

9(2)(a)



9(2)(a)



Nelson Tasman Climate Forum

9(2)(a)

New Zealand Association for Environmental Education

New Zealand Pork Industry Board

Ngai Tai ki Tamaki Trust Limited

9(2)(a)

North Eyre Holdings Ltd

9(2)(a)

Otago Regional Council

Otago University Students' Association

Oxhill Ltd

9(2)(a)

Parents for Climate Aotearoa

9(2)(a)

9(2)(a)



Reshure Farms Limited

9(2)(a)



Rua Oki Station Ltd

9(2)(a)

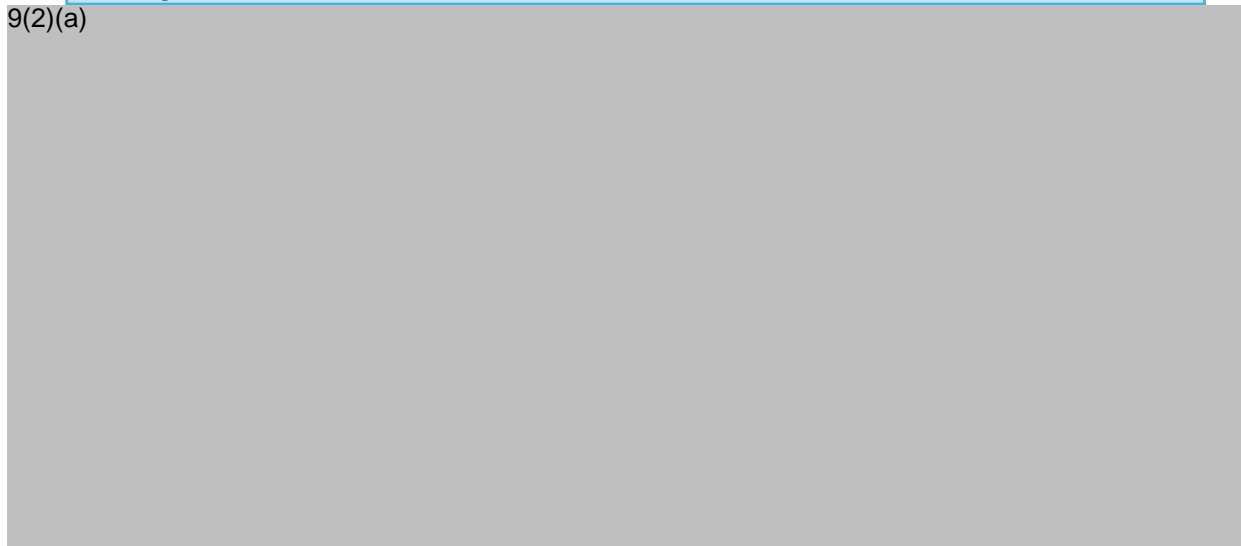


9(2)(a)



southsignz

9(2)(a)



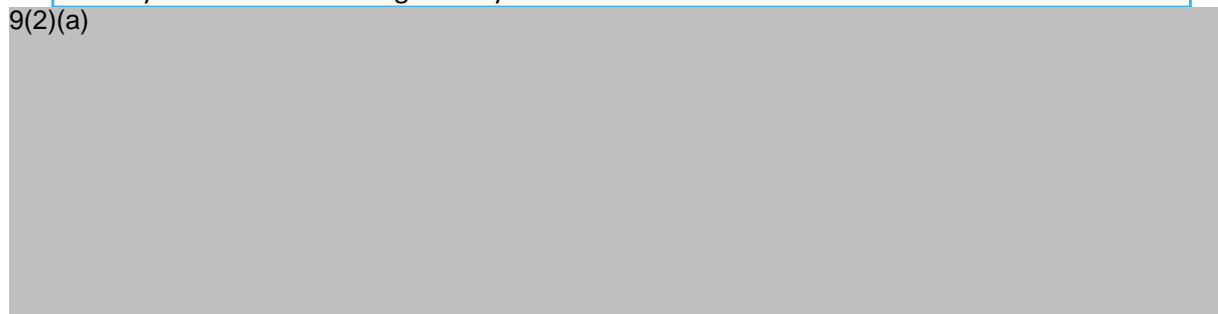
Takahiwai Maori Committee

9(2)(a)



The Royal Australasian College of Physicians

9(2)(a)



9(2)(a)



Vegetables New Zealand

9(2)(a)



Western Firth Catchment Group

9(2)(a)

