

First Reading Speech: Climate Change Response (Emissions Trading Scheme Agricultural Obligations)

I present a legislative statement on the Climate Change Response (Emissions Trading Scheme Agricultural Obligations) Bill.

[The Speaker will acknowledge this, saying the statement is published under the authority of the House]

I move, that the Climate Change Response (Emissions Trading Scheme Agricultural Obligations) Amendment Bill be now read a first time. I nominate the Environment Committee to consider the Bill. At the appropriate time I intend to move that the Bill be reported to the House by **[DD/MM/2024]**

[Note the wording above follows the procedural script for Ministers responsible for business being considered and cannot be varied.]

This Bill will amend the Climate Change Response Act 2002 to keep agriculture out of the emissions trading scheme. It will pave the way for us to develop a fair and sustainable pricing system for agriculture that reduces emissions without sending production offshore.

This Bill supports the Government's coalition agreements and National Party's manifesto commitments. It delivers on Action 12 of the Coalition Government's Action Plan for this quarter, to finalise policy to keep agriculture out of the Emissions Trading Scheme.

Agriculture is the backbone of the New Zealand economy. It contributes to 81% of goods exported, and New Zealand-grown produce feeds over 40 million people worldwide. Kiwi farmers are among the most emissions efficient in the world.

This Government is committed to supporting the sector to reduce its emissions in a way that does not put farmers out of business and shift production offshore.

Currently under the Climate Change Response Act, agricultural processors will begin to pay for the emissions associated with the fertiliser and livestock they process on 1 January 2025, while animal farmers will begin reporting their on-farm emissions from 1 January 2026 and paying for those emissions from 1 January 2027.

Modelling commissioned by officials suggests that requiring agricultural processors to pay for their emissions under the Emissions Trading Scheme would have a negative impact on both farm production and farm revenue – particularly for the sheep and beef sector.

In addition, if agricultural processors are required to pay for on-farm emissions, they may pass these costs directly onto farmers, regardless of farmers' emissions efficiency. This means there would be no incentive for farmers to reduce their emissions as there will be no financial recognition of individual effort.

The obligations on animal farmers that start from 2026 would add additional problems. These obligations could require up to 100,000 animal farmers registering, reporting, and paying for their emissions in the Emissions Trading Scheme. This would be overly burdensome for small farmers and would significantly increase the number of participants in the scheme, which could disrupt the operation of the Scheme.

This is why this Bill is necessary. In short – without it, the current system will present significant administrative, implementation, and compliance costs to our domestic agricultural sector.

This Government is taking steps to support the development of the right tools and technology for farmers to reduce their emissions. This Government will invest \$400 million over the next four years to accelerate the commercialisation of tools and technology to reduce on-farm emissions, with on-farm measurement systems in place by 2025.

Additionally, this Government will lift the effective ban on gene editing and genetic modification and incentivise the use of these technologies. This will ensure our domestic agricultural sector can leverage the advantages of technological progress in line with many other countries.

This Government has commissioned a Methane Science and Target Review to consider the methane science and targets for consistency with no additional warming.

These are some of the actions this Government is taking. More will be set out in the second Emissions Reduction Plan, which will come out soon.

Whilst this Bill will keep agriculture out of the Emissions Trading Scheme, this Government is committed to meeting New Zealand's emissions reduction targets.

In my maiden speech as a Member of Parliament, I spoke about how challenging times will require us to work together in the interests of all New Zealanders. As I outlined earlier, this Bill is an initial step in this Government's plan to support farmers to reduce their emissions. I look forward to working with the sector, iwi/Māori and the public as we implement this plan and deliver on our climate change commitments.

I am proud to commend this Bill to the House.

[After the First Reading debate]

I move that the Bill be reported to the House by **[DD/MM/2024]**