



Action on agricultural emissions

Summary of submissions



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Manatū Mō Te Taiao

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About this summary of submissions

Why ‘action on agricultural emissions’ is important

Biological emissions from agriculture contribute nearly half of New Zealand’s total reported greenhouse gas emissions. While efficacy improvements in the sector have continued to stabilise methane and nitrous oxide emissions, this is not enough. We need to secure a sustainable, prosperous future for our primary sectors in this country and enable a just transition to a low-emissions economy for all New Zealanders.

Under the targets proposed in the Zero Carbon Bill, net emissions of all greenhouse gases, other than biogenic methane, must be reduced to zero by 2050. Emissions of biogenic methane also need to be reduced by 24–47 per cent from 2017 levels by 2050, including to 10 per cent less than 2017 levels by 2030.

We need to implement policy so the agricultural sector can play its part in reducing emissions and help New Zealand to meet future emissions targets in a cost-effective way.

We talked to as many New Zealanders as possible during our ‘action on agricultural emissions’ consultation, to hear New Zealand’s voice on the right way to address agricultural emissions.

What the Government proposed

Summary of proposals

The Government’s key policy proposals are, from 2025, **to price livestock emissions at the farm level** and **to price fertiliser emissions at the processor level**.

To bring certainty and encourage further action to reduce emissions until 2025, the Government has proposed two interim options.

- Either – **Option 1: Price livestock and fertiliser emissions at the processor level** (that is, dairy and meat processors and fertiliser manufacturers and importers) through the New Zealand Emissions Trading Scheme (NZ ETS), with 95 per cent free allocation of emissions units. The collected funds would be recycled into programmes that support farmers to reduce emissions, to prepare them for an emissions price at the farm level. This option also includes an action plan that sets out steps for implementing farm-level pricing.
- Or – **Option 2: A formal Government-sector agreement** that sets out a programme of action to support on-farm emissions reduction and progress on implementing an emissions price at the farm level, as proposed by the Primary Sector Leaders’ Group.¹

See the [discussion document](#) for more information.

¹ Members of the Primary Sector Leaders’ Group proposal included Federated Farmers of New Zealand, DairyNZ, Dairy Companies Association of New Zealand (DCANZ), Beef+Lamb New Zealand, Meat Industry Association of New Zealand, Irrigation New Zealand, Apiculture New Zealand, Foundation for Arable Research, Deer Industry New Zealand, Federation of Māori Authorities (FOMA) and Horticulture New Zealand.

How the proposed proposals were developed

In April 2018, the independent Interim Climate Change Committee (iCCC) was established by the Minister for Climate Change and tasked with looking at options to reduce emissions from agriculture, including whether and how these emissions could be priced under the NZ ETS. The Committee also looked at options outside the NZ ETS.

The iCCC talked with a range of stakeholders (including those from the agricultural sector, rural communities and iwi/Māori), completed in-house analysis and commissioned work from consultants. The Committee provided its advice to Ministers on 30 April 2019.

The Government carefully considered all recommendations and then proposed policies that build on these recommendations.

After the iCCC's report was received, the Government also received a proposal from agricultural sector leaders to take a different approach that worked more directly with the sector. This option was included in the consultation.

How we consulted

We provided a [discussion document](#) on our [consultation webpage](#), which outlined the iCCC's recommendations, detailed the Government's proposals and asked eight broad questions on the proposals, as well as four specific questions on free allocation.

To further inform people, we:

- held 17 public information sessions (plus one online session) in: Tauranga, Whangarei, Christchurch, Ashburton, Waikato, Hawera, New Plymouth, Napier, Gisborne, Wellington, Invercargill, Greymouth, Carterton, Palmerston North, Auckland, Nelson and Dunedin
- ran two technical workshops with invited stakeholders, which analysed the detail of the proposed policy
- called key iwi/Māori partners and corresponded with a wider group of iwi/Māori, offering the opportunity for hui or a phone call with a policy expert; following this, we participated in two hui with Te Rūnanga o Ngāi Tahu and representatives from Te Arawa.

Our aim was to talk to as many New Zealanders as possible in the timeframe available, so we offered a session in every region around the country. The public information sessions were widely publicised through our social media channels, on our consultation webpage and newspaper advertising. The sessions were also promoted by the agricultural sector and other relevant organisations, and by councils and universities via their own channels.

This consultation process was conducted jointly by officials from both the Ministry for the Environment (the Ministry) and Ministry for Primary Industries.

More information, such as FAQs, was also made available on the consultation webpage. Submissions could be made through an online web form, via email or by completing a physical form at a public information session.

What happens next

This document summarises feedback the Ministry received from the consultation phase on agricultural emissions.

The Ministry will use the submissions received during consultation as part of evidence to inform its advice on agricultural emissions. If decisions on agriculture require changes to the Climate Change Response Act 2002, they will be included in the Climate Change Response Amendment Bill for NZ ETS improvements. If legislative change is needed, another opportunity will be provided to submit during the select committee processes.

The Bill is expected to be enacted in early 2020.

Who made submissions

The Ministry received 3956 submissions. These included:

- 818 individual submissions. Some of these were closely aligned with submissions guidance provided by Beef+Lamb New Zealand or the Green Party of Aotearoa New Zealand (the Green Party). These submissions were generally a mix of direct verbatim quotes and paraphrasing of the guidance, often with additional comments from the individual submitter
- 2614 form submissions based on an email template provided by Greenpeace, often with an additional paragraph from the individual submitter. These submitters did not specify their background (eg, whether they were from the agricultural sector)
- 524 form submissions based on an email template provided by the World Wide Fund for Nature (WWF), often with an additional paragraph from the individual submitter. These submitters did not specify their background (eg, whether they were from the agricultural sector).

Individual submissions

By organisation

Major agricultural sector organisations:
Ruminant livestock, horticulture, fertiliser and general farmer representative organisations

- Beef+Lamb New Zealand
- Dairy Companies Association of New Zealand (DCANZ)
- Fonterra
- Fertiliser Association of New Zealand
- Federated Farmers of New Zealand
- DairyNZ
- Deer Industry New Zealand and the New Zealand Deer Farmers Association
- Ravensdown
- Meat Industry Association of New Zealand
- Dairy Holdings Ltd
- Horticulture New Zealand
- Alliance Group Ltd
- North Canterbury Federated Farmers
- Silver Fern Farms
- Auckland Federated Farmers
- Ballance Agri-Nutrients Ltd
- Taranaki Federated Farmers
- Rural Advocacy Network

Other agricultural sector organisations:
Non-ruminant livestock and others

- Egg Producers Federation of New Zealand
- Poultry Industry Association of New Zealand
- New Zealand Pork
- New Zealand Winegrowers
- New Zealand Thoroughbred Breeders' Association

Local government:

- Christchurch City Council
- Northland Regional Council
- Ashburton District Council
- Waikato Regional Council
- Ruapehu District Council
- Hawke's Bay Regional Council
- Environment Canterbury

General policy:

- Balfour & Associates
- New Zealand Super Fund
- Motu Economic and Public Policy Research
- Wise Response

Iwi/Māori organisations:

- Tainui
- Te Rūnanga o Ngāi Tahu (Ngāi Tahu)
- Te Arawa Primary Sector
- Te Arawa Climate Change Work Group (Te Urunga o Kea)
- Te Arawa River Iwi Trust
- Federation of Māori Authorities (FOMA)

Agricultural professionals:

Science and technology organisations, agricultural consulting, industry specialists

- Primary ITO
- Overseer Ltd
- Livestock Improvement Corporation
- Taumarunui Sustainable Land Management
- William Rolleston (Genomics Aotearoa)
- Zest Biotech
- Enviro-Mark Solutions
- Bioenergy Association of New Zealand

Forestry organisations:

- New Zealand Farm Forestry Association
- Forest Owners Association

Environmental non-governmental organisations (NGOs):

- Greenpeace
- Climate Karanga Marlborough
- Forest & Bird New Zealand
- WWF New Zealand
- Sustainability Council
- Generation Zero
- Save Animals from Exploitation (SAFE)
- Advisory Committee for the Regional Environment
- Carbon Neutral NZ Trust
- Sustainable Wairarapa Inc
- Climate Justice Taranaki
- Tauranga Forest & Bird
- Carbon Neutral NZ Trust Kerikeri
- Waikato Environment Centre
- Ecologics

By stakeholder group

The 818 individual submissions included (note that multiple-choice applied):

- 465 from the agricultural sector, including those self-identifying as:
 - dairy farmer – 140
 - sheep and/or beef farmer – 272
 - farmer – 111
 - grower – 63
 - farming organisation – 39
 - dairy processor – 4
 - meat processor – 9
 - fertiliser manufacturer or importer – 5
 - agricultural science and technology (eg, agricultural solutions, land advisors, rural banking specialists, consultants) – 56
- 14 from local or regional government
- 32 from universities or research institutes
- 45 identifying as an NGO, school or community group
- 277 who were not part of any of these groups, instead identifying as an individual or ‘other’.

A high proportion (around 60 per cent) of individual submitters were from the agricultural sector.

Iwi/Māori submitters

Nineteen submitters identified as iwi/Māori, including:

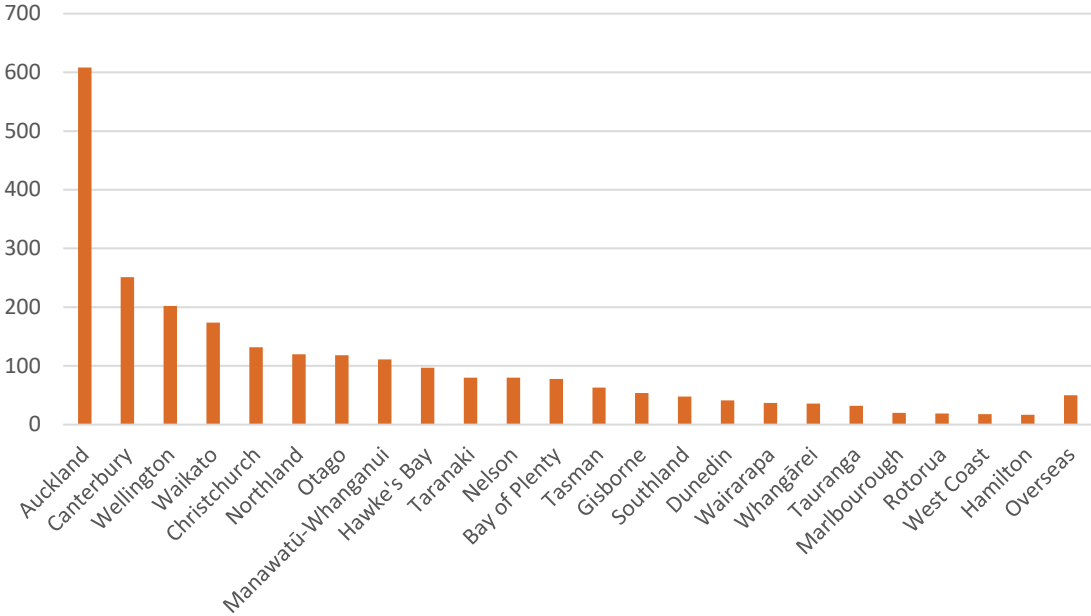
- 11 who also identified as farmers (all sheep and beef, some also dairy)
- 6 iwi/Māori representative organisations.

Of the six written submissions from iwi/Māori organisations, three were from different groups within Te Arawa. Submissions were also received from Waikato–Tainui, Ngāi Tahu and FOMA. While this is not a large number of iwi, these three do represent a considerable proportion of Māori land and investment in agriculture.

Submitters by location

Most submitters (nearly 70 per cent) specified their location as outside of New Zealand’s major urban centres of Auckland, Hamilton, Wellington, Christchurch and Dunedin. In particular, Gisborne and rural Canterbury had a much higher proportion of submitters, compared with their proportion of New Zealand’s population. Figure 1 shows the submitters who specified their region.

Figure 1: Submitters on the ‘action on agricultural emissions’ consultation who specified their region



Summary of submissions overview

General

Most submissions supported that action was needed to reduce agricultural emissions.

About half of individual submitters identified some form of financial mechanism as being the best way to incentivise agricultural emissions reductions.

Slightly over half of the individual submissions we received, given a choice between farm-level and processor-level pricing of livestock emissions, supported farm level. Around 5 per cent supported pricing livestock emissions at the processor level.

Over a third of individual submissions, given a choice between farm-level and processor-level pricing of fertiliser emissions, supported pricing fertiliser emissions at the farm level. A quarter of individual submissions supported processor level.

Of individual submitters, over a third indicated they preferred farm-level pricing for both livestock and fertiliser emissions. Five percent of individual submitters supported processor-level pricing for both livestock and fertiliser emissions.

About half of individual submitters supported the interim option of a formal Government-sector agreement. About a third of individual submitters supported the interim option of processor-level pricing. Most individual non-agriculture submitters supported the interim option of processor-level pricing; however, a large number of individual agricultural sector submitters supported a Government-sector agreement.

Submitters raised several cross-cutting themes. These included the ability for farmers to offset emissions, the role of New Zealand in a global context, the treatment of other sectors, and the diverse pressures on farmers, which are discussed in more detail in the final chapter.

Iwi/Māori

Iwi/Māori submissions were split in terms of preference for the interim options 1 and 2. Iwi organisations tended toward Option 1 and immediate action to bring agriculture into the NZ ETS via the processor level. Iwi/Māori submitters with strong connections to primary production, or those submitting as owners or managers of farms, tended to support Option 2.

Important issues raised by those favouring Option 1 included the certainty provided by Option 1 and the importance of starting a process that would begin reducing agricultural emissions in the short term. However, it was noted that options 1 and 2 are not mutually exclusive, and the scope exists to integrate aspects of both options.

Submitters favouring Option 1 raised concerns about how the 95 per cent free allocation of NZ ETS units would be phased down over time and how the price of carbon could change. These issues were linked to wider concerns that the allocation of agricultural units under the NZ ETS would have a disproportional impact on Māori-owned land, especially land that was less developed, because Māori landowners face uncertain costs in the future that will not be faced by established agricultural enterprises. These submitters also raised questions about how the positive biodiversity and water quality attributes of some Māori land could be recognised and rewarded.

The main issue raised by those favouring Option 2 was the importance of supporting action at farm level. The focus for these submitters was less on the short-term impacts of processor-level costs and more on how incentives for landowners are developed. These submitters wanted to see this farm-level action accompanied by comprehensive, strategic approaches to lowering emissions. One particular strategic action called for was a comprehensive low-emissions action plan for the primary sector.

Almost all iwi/Māori submissions, regardless of which option they preferred, emphasised the importance of partnerships with the Crown to support and develop Māori land and agriculture. Such a partnership was seen as vital to addressing the historical disadvantages faced by Māori landowners, overcoming any of the disproportionate impacts on Māori related to agriculture's inclusion in the NZ ETS, and harnessing the existing potential of Māori land and resources. In this regard, iwi/Māori submitters emphasised the importance of funds being cycled back into the system to directly support Māori landowners.

Responses to discussion document questions

Question 1: What is the best way to incentivise farmers to reduce emissions?

A little over half of individual submitters identified some form of financial mechanism as being the best way to incentivise agricultural emissions reductions. Many submitters also identified education and support (eg, training, guidance, funding) as the best way to incentivise farmers.

Price-based mechanisms

Price-based mechanisms were identified as an important way to incentivise farmers to reduce emissions by:

- most of the environmental NGOs
- most local and regional governments
- most submitters from universities and research institutes
- most agricultural professionals
- most iwi/Māori
- some agricultural professionals
- some agricultural sector organisations
- some farmers and growers.

Slightly over half of the individual submissions that we received identified financial mechanisms – whether incentives, penalties, the NZ ETS or other forms of pricing – as being the best way to motivate agricultural emissions reductions. The use of price was more commonly advocated by non-agricultural than agricultural sector submitters, although it appeared frequently across all groups in some form.

Financial incentives or rewards

A common theme from submitters was that farmers who are already using sustainable and low-emissions practices should be financially rewarded. The exact mechanism for this varied, but there was support for New Zealand Units (NZU) allocations, tax breaks, rebates and subsidies. This view was held by most farmers and was common among councils, industry bodies and agricultural professionals. Some environmental NGOs, such as Generation Zero, stated that financial incentives should be used to encourage farmers towards more sustainable land uses (eg, forestry or horticulture).

There was also support for financial rewards to operate hand-in-hand with increased support and education for farmers. Some submitters stated the Government should use grants to enable farmers to adopt new technologies. Others thought the Government had a role in improving market conditions for sustainable and low-emissions products.

Many submitters also raised the importance of financial rewards for carbon sequestration. Of submitters who viewed financial rewards as an efficient way of incentivising farmers, most stated that carbon storage in on-farm vegetation (such as riparian planting) should be recognised within a farm-level scheme. Both agricultural and non-agricultural sector submitters saw this as an important way of rewarding positive change. One farmer identified rewards for on-farm planting as “absolutely critical if you want farmers to take ownership for climate change challenges” (submission 2914), a view supported by numerous other submitters.

Some submitters, who were mainly farmers, stated that all agricultural emissions, including methane emissions, should be able to be offset by carbon sequestration. There were concerns that only emissions of carbon dioxide could be offset by sequestration from on-farm vegetation. Some submitters also wanted the opportunity to ‘net off’ methane emissions at the farm level with sequestration from on-farm vegetation, rather than having to claim units for their forests through the NZ ETS.

Financial penalties and prices on emissions

Many submitters stated emissions pricing was an effective way of incentivising farmers to reduce emissions. Most of the submitters who supported financial penalties stated emissions should be priced as soon as possible, largely through the NZ ETS. These submitters generally saw emissions pricing as the best way to drive emissions reductions if the level of free allocation was sufficient to provide a strong price signal to the sector.

This view was most common among environmental NGOs, technical groups and forestry bodies, as well as individuals outside the agricultural sector. The submissions following the Greenpeace form template also supported the pricing of emissions through the NZ ETS as soon as possible.

Some submitters, especially environmental NGOs, did not believe that attempts to reduce emissions without financial penalties would be effective, given what they saw as the sector’s historical reluctance to address greenhouse gases. Many of these submitters also emphasised that emissions pricing needed to be part of a larger policy package wherein farmers were also supported and rewarded for more sustainable practices.

Many farmers were opposed to emissions pricing. These submitters stated that farmers in New Zealand were already experiencing financial difficulties, and the addition of increased cost would make it difficult for them to operate. Many agricultural sector organisations and local government also stated that a price on emissions would not be an efficient mechanism to reduce emissions without sufficient mitigation tools being available.

A number of farmers expressed that, if there were a pricing scheme, only methane emissions that contribute to an increase in warming should face a price. Others stated any pricing scheme should be a comprehensive on-farm system through which farmers with high-emissions intensity would be penalised while those with low-emissions intensity would be rewarded. There were also calls from the agricultural sector organisations, farmers and NGOs that any pricing scheme needs to be simple for farmers to use.

A small number of individual submitters proposed heavier taxation on palm kernel and synthetic fertilisers, a view shared by several environmental NGOs. A few submitters emphasised the importance of recycling the funds accumulated through an emissions pricing mechanism to incentivise good practice and fund changes to land use.

On-farm education

Educating farmers and supporting them to make changes to their farm practices was identified as important by:

- most agricultural sector organisations
- most environmental NGOs
- some universities and research institutes
- some farmers and growers
- some agricultural professionals
- some individuals outside the agricultural sector.

Many submitters who identified education and support as important stated that farmers needed more information on low-emissions practices and more advice on how to achieve them.

Farmers and agricultural professionals commonly stated that farmers needed to know the full details of their emissions profiles, so they could use mitigation technologies and practices most effectively. This view was also common among agricultural sector organisations, many of which proposed a sector-wide framework to help farmers understand their sources and sinks on farm. Many of these submitters also called for improved tools to guide farmers in taking actions on their farms, because existing tools were often seen as insufficient for accurately calculating emissions.

Environmental NGOs drew attention to the importance of a 'just transition' in reducing agricultural emissions, within which the sector was supported to make changes through a more comprehensive and holistic policy package.

A number of environmental NGOs and non-agricultural sector individual submitters stated that the Government has a role in broadly educating on best environmental practice, both to show farmers the options available to them to reduce emissions and to emphasise the importance of climate change to the public, so that the need for action is understood.

Farm Environment Plans

Several industry groups (eg, DairyNZ, Ravensdown, the Meat Industry Association of New Zealand, Alliance Group Ltd, Bioenergy Association of New Zealand) and some individual submitters stated that the management of emissions should be integrated into Farm Environment Plans. Given the number of concurrent environmental policies operating in the primary sector, these groups identified Farm Environment Plans as an effective way to support farmers through the numerous changes that need to take place on farm. Submitters noted the importance of an individualised plan for each farm to reduce emissions. They also noted the importance of on-farm planting being included in such a plan.

Other responses

Many submitters stated that encouraging farmers to increase their on-farm planting would have positive environmental benefits. This view was most common from submitters within the agricultural sector, although received some support from groups across the board.

Some submitters emphasised that New Zealand's agricultural products have comparatively low emissions intensity to other countries. They suggested that publicly recognising the agricultural sector for the work it has already done to become more sustainable would motivate farmers to change further. This view was particularly common among farmers, who also expressed concern with public opinion of the agricultural sector.

Question 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?

Slightly over half of the individual submissions we received, given a choice between farm-level and processor-level pricing of livestock emissions, stated their support for a farm-level price. Of individual submitters, 5 per cent were in support of pricing livestock emissions at the processor level.

When given a choice between farm-level and processor-level pricing of fertiliser emissions, over a third of individual submissions supported farm-level pricing. A quarter of individual submissions supported processor-level pricing of fertiliser emissions.

Over a third of individual submitters indicated they preferred farm-level pricing for both livestock and fertiliser emissions. Of individual submitters, 5 per cent supported processor-level pricing for both livestock and fertiliser emissions.

The 2614 submitters who used the Greenpeace form letter templates supported pricing livestock and fertiliser emissions at the processor level from 2019, but they also pushed for farm-level pricing of livestock emissions to be implemented from 2021.

Farm-level pricing

In general, farm-level pricing is supported by most stakeholders when compared with processor-level pricing.

Submitters who gave a clear preference of farm-level pricing for livestock and/or fertiliser emissions included:

- most dairy farmers, and sheep and beef farmers
- most agricultural sector organisations
- most local and regional government submissions
- some individuals from outside of the agricultural sector
- some growers and agricultural professionals.

These submitters frequently mentioned the following advantages to this option.

- It is more likely to incentivise emissions reductions because farmers can directly see the benefits and can make the appropriate changes.
- It recognises the diversity of farms and gives farmers more freedom of choice in their mitigation practices.

However, for those who disagreed with farm-level pricing, the primary concerns about this option were as follows.

- The cost of implementing a farm-level price on emissions could outweigh any benefits.
- Pricing emissions at farm level would simply seem like another tax and not influence emissions reductions.
- It will take considerable time to set up such a scheme.

Major agricultural organisations generally supported a pricing mechanism as the best policy tool, but only if farmers are able to be recognised for on-farm sequestration. Federated Farmers of New Zealand went further in this respect and placed three conditions on its support for pricing agricultural emissions.²

The Fertiliser Association of New Zealand supported a farm-level price rather than processor point of obligation, including fertiliser, as a more effective mechanism for reducing emissions.

Smaller agricultural sector organisations, such as New Zealand Pork and the poultry industry, stated that they are already functioning with low emissions and wished to be recognised for this success. They stated a farm-level approach would best achieve this.

New Zealand Winegrowers opposed pricing at the farm level. For wine growers, “incidental livestock use is a complementary practice used by some producers to manage cover crops and to contribute to sustainable practices”. Growers fear the cost and burden of having to adopt a scheme that requires what they see as undue attention to a minor part of their operations.

Some concerns raised by individual farmers included: the time and cost of reporting and compliance; potentially no reward for emissions reductions already achieved; and the possibility of an increase in the emissions price or a reduction of free allocation.

While most local and regional government submissions supported farm-level pricing, Waikato Regional Council did not. While they noted benefits of farm-level pricing, they expressed concerns about the costs of implementation.

Processor-level pricing

Submitters who gave a clear preference of processor-level pricing for livestock and/or fertiliser emissions included:

- almost all environmental NGOs
- some individuals from outside of the agricultural sector
- submitters who used the Greenpeace form letter templates or the Green Party submissions guidance
- some universities and research institutions
- some growers and agricultural professionals
- a small minority of dairy farmers and sheep and beef farmers.

These submitters frequently mentioned the following advantages to this option.

- It will be simpler to implement.
- It enables the processor to pass on the additional cost to the consumer.
- The processor level treats all farmers the same.

² A different metric for methane, cost-effective mitigation options available, not disadvantaging international competitiveness.

However, for those who disagreed with processor-level pricing, the primary concerns about this option were:

- as another cost that is merely passed on, it may not incentivise farmers to change behaviour
- the price would be passed on to farmers without regard for their individual context or emissions profile.

Point of obligation for fertiliser

Agricultural sector supporters of a processor-level price for fertiliser included Horticulture New Zealand and all smaller emitting agricultural industries (eg, New Zealand Pork, the poultry industry, New Zealand Thoroughbred Breeders' Association). However, Horticulture New Zealand provided conditions under which it could be beneficial to consider pricing at farm level for fertiliser. New Zealand Pork, New Zealand Winegrowers and New Zealand Thoroughbred Breeders' Association all identified as low fertiliser users and wished to avoid the administrative cost and burden of carrying out farm-level pricing of fertiliser.

A number of agricultural sector organisations were opposed to a processor-level price for fertiliser emissions. The common reasons given for this were that “farmers need to consider the implications of nitrogen fertiliser use as part of their whole farm system’s emissions” (Beef+Lamb New Zealand), and that “applying a single priced-based mechanism at the farm level will avoid misalignment and confusion, and enable costs to be more directly factored into a suite of these management options to reduce emissions overall for an efficient production system” (DairyNZ).

Fonterra, which will start providing emissions reports from the middle of 2020, will include fertiliser use as part of these reports.

Regional councils also generally supported processor-level pricing of fertiliser. Individual farmers' views on where to price fertiliser were mixed, as were environmental NGOs.

Hybrid approach

Some agricultural sector organisations and individual submissions supported a hybrid approach where farmers have the choice about where the obligation sits.

Suggestions for a hybrid scheme include self-reporting, reporting by groups of farmers, the processor reporting on behalf of their supplying farmer, or farm advisors reporting on behalf of farms. Some individual submitters suggested retaining the processor point of obligation as an option for farmers who did not report emissions at farm level.

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

Developing and implementing effective estimation tools and practices

The most common building block identified by submitters, both within and outside the agricultural sector, was the development and dissemination of more effective measuring and estimation mechanisms.

A number of submitters identified the possible complexity of estimation tools and practices as one of the largest barriers to buy-in and stated that simplicity will encourage participation. The view that estimation and reporting tools need to be easy to use was particularly common with major agricultural sector organisations and individual farmers. Estimation needs to be “as simple as possible” (Beef+Lamb New Zealand).

Research, development and dissemination of reduction and mitigation technologies and practices

The need for further research into reduction and mitigation technologies – as well as the science behind agricultural emissions generally – appeared frequently in responses to the discussion document questions one, three and seven.

Across these responses, individuals and groups both within and outside the agricultural sector stated that developing ways to reduce the amount of greenhouse gas emitted by livestock and fertilisers was important. Farmers in particular requested further investigation into solutions that would allow their emissions to reduce without affecting stock numbers.

A sizeable group of farmers advocated further research into regenerative farming and practices and technologies that prioritise sustainable, holistic approaches to farming, rather than just profit and output. Among agricultural professionals, there was strong support for the recognition of pre-existing mitigation technologies. These submitters wanted the Government to fund and promote distribution of alternative, low-emissions products. Other submitters encouraged research into transitioning to plant-based farming.

On the other hand, some submitters called for the Government’s current science to be disregarded, either claiming that research has proven climate change irrelevant or practices and technologies already exist to sufficiently mitigate agricultural emissions.

Compliance, auditing, monitoring and enforcement

A number of submitters identified effective compliance, auditing, monitoring and enforcement as an important building block for a farm-level scheme. This theme appeared across all submitter types. In general, agricultural sector submitters saw this building block as a way to both accurately recognise good practice and to “hold the [agricultural] industries to account for [...] evading and delaying the reduction of their emissions” (Greenpeace).

Several submitters suggested creating a third-party entity to oversee the collection, security and use of data. This entity could verify the accuracy of reported emissions and control how this information is accessed by various agencies or organisations. Local government submitters who mentioned compliance highlighted the need to avoid administrative duplication and costs

and allow agencies to use the gathered data. This concern was also shared by a number of farmers, who noted that they already report to their local councils the same on-farm data that will be used to estimate emissions. Many major industry organisations repeated the desire for auditing “the collection of relevant on-farm data points and the tools used to estimate emissions” (the Primary Sector Climate Change Commitment – *He Waka Eke Noa*). In addition, several environmental NGOs emphasised the importance of official oversight that ensures effectiveness and accuracy in measuring emissions.

Education, guidance and communication

Submitters of all types identified several building blocks that fall within the themes of education, guidance and communication.

The importance of educating people about action on climate change is reflected in submissions that were concerned not enough is being done to avoid disaster. Several submitters wanted the Government to implement education programmes to help the public understand the implications of inaction and the possibilities for action. Other submitters highlighted the need to work with farmers to show them the necessity of taking action now and the practical benefits of more sustainable farming practices.

Numerous submitters supported training farmers to use estimation and reporting tools, and keeping communication of information transparent and accessible. In addition, a number of farmers suggested that the Government support training farmers to adopt sustainable practices. In particular, these submitters expressed the desire for regenerative, holistic practices to be more visible and accessible to the farming community as a whole.

Developing and implementing Farm Environment Plans

Several local and regional government submissions, including both Environment Canterbury and Hawke’s Bay Regional Council, strongly advocated for the inclusion of mandatory, integrated Farm Environment Plans in the policy being developed.

Some submitters saw Farm Environment Plans as a useful complement to pricing emissions at farm level, because they could help farmers in reducing their emissions and establishing more sustainable practices.

Several other submitters advocated for Farm Environment Plans as an alternative to pricing emissions. They stated a price signal would be less effective at motivating farmers to change than a structure that actively outlines how emissions can be reduced.

Other comments

Submitters encouraged the Government to recognise the diversity of farmers. This included recognising the unique characteristics of lower emitting sectors, such as pork, poultry and other non-ruminant animals.

A number of submitters identified the importance of getting farmer buy-in as a critical building block, for example: “If there is minimal compliance by farmers, then it is impossible to see a very complex levy/rebate system dependent on accurate reporting working” (Meat Industry Association). WWF emphasises the importance of agricultural sector buy-in immediately, warning that “every year that we delay action only serves to increase costs of mitigation and adaptation and force exponentially more abrupt, disruptive, risky decarbonisation pathways”.

Some submitters within the agricultural sector highlighted the importance of transparency in the recycling of any funds collection through emissions pricing.

Some submitters outside of the agricultural sector also called for transparency, to ensure accountability across the board to the overall goal of reducing emissions over the financial or political interests of any given stakeholders.

Question 4: What should the Government be taking into consideration when choosing between Option 1 (processor-level pricing) and Option 2 (formal Government-sector agreement)?³

Agricultural sector submitters most commonly identified economic and social impacts, including individual farmers' personal financial and mental stress, as important for the Government to take into consideration. Those outside of the agricultural sector most commonly identified that the Government needed to consider the best approach for achieving meaningful emissions reductions when choosing between Option 1 and Option 2.

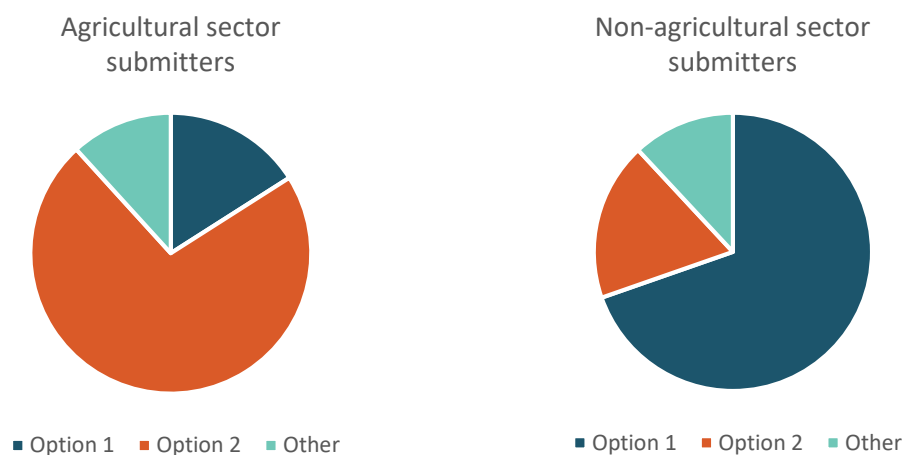
Other considerations raised by submitters included:

- fairness, both across the agricultural sector and in regard to other sectors
- cost effectiveness
- securing buy-in from rural communities and farmers
- aligning with other environmental outcomes, including natural capital and adaptation
- creation of enduring policy and/or policy predictability
- encouraging collaboration
- ensuring that a future approach could be leveraged to better market New Zealand's agricultural products
- the likelihood of large scale land use change and economic and social disruption
- tailored approaches to diverse farmer needs.

³ A number of submitters provided their answer to question 5 as part of this question; these have been considered in the following chapter.

Question 5: As an interim measure, would Option 1: processor-level pricing or Option 2: a formal Government-sector agreement be best? Why?

Figure 2: Comparative support for Option 1 and Option 2 between individual agricultural sector and non-agricultural sector submitters



Nearly half of the individual submissions we received, given a choice between the interim options of either the processor-level pricing or formal Government-sector agreement, voiced their support for the formal Government-sector agreement. A third of submitters were in support of the interim option of processor-level pricing. A minority of submitters either disliked both options or saw a third, or hybrid, option as preferable.

The preference between Option 1 and Option 2 varies between the agricultural sector and non-agricultural sector submitters. Of agricultural sector submitters, 71 per cent supported Option 2, with less than 20 per cent supporting Option 1. By comparison, almost 60 per cent of individual non-agricultural sector submitters supported Option 1, with only 15 per cent supporting Option 2.

Of submitters, 2838 used either the Greenpeace or WWF form letter templates, all of whom supported Option 1.

Option 1: Processor-level pricing

Of submitters who gave a clear preference for one option, Option 1 was preferred over Option 2 by:

- several iwi groups (Te Arawa Climate Change Group, Waikato–Tainui and Ngāi Tahu)
- almost all environmental NGOs
- almost all individuals from outside of the agricultural sector
- submitters who used the WWF or Greenpeace form letter templates, or the Green Party submissions guidance
- most universities and research institutions
- some growers and agricultural professionals
- a small minority of dairy farmers, and sheep and beef farmers.

Frequently mentioned advantages to Option 1

Many submitters suggested the incentive for behaviour change is stronger for Option 1 than Option 2, and there is more certainty of meeting emissions reduction targets. WWF supported Option 1 because New Zealand urgently needs a meaningful price on agricultural emissions.

This option means the Government can start the transition now, removing any delay of a price signal, whereas reaching an effective industry agreement was seen as uncertain.

Many noted the greater funding committed through this option, compared with Option 2. Stakeholders suggested this would improve the support farmers (including Māori farmers) would receive and prevent funding from being shifted from other environmental programmes.

Fairness and consistency with other sectors was identified as important. Since 2007, all other primary sectors have entered into the NZ ETS. Greenpeace were concerned that: “Allowing the agriculture industry to continue to operate outside of the ETS any longer would continue the unjust and heavily distorted history of climate policy in NZ”.

Some organisations noted the importance of the Government following the advice it commissioned through the iCCC.

Some submitters noted that much of the required information (eg, product output) is already collected by the processors and reported to the Environmental Protection Authority.

Primary concerns from submitters who did not support Option 1

Under Option 1, processors will focus on NZ ETS trading to reduce liabilities rather than on-farm practical action.

A price could be seen as a revenue-gathering exercise, which could make farmers less accepting of future farm-level pricing.

Many sector organisations feared that, once emissions were priced at processor level, this price would remain at the processor level.

Submitters were also concerned that the costs of emissions could rise rapidly or the level of free allocation could change.

The governance of funds was seen as a possible distraction, with more attention paid to who controls how the money is spent, rather than establishing a durable framework for emissions reductions.

Some processors identified the potentially high costs of compliance within Option 1. They noted the need for additional skills and capability to engage with the NZ ETS, which would likely become obsolete in 2025.

Processor-level pricing was commonly framed as a blanket ‘tax’, which would do little to motivate positive action or early adoption. Federated Farmers Taranaki expressed that “there is a high degree of frustration amongst farmers around regulation and pricing”, and stated Option 1 will exacerbate this and not help to achieve the long-term goal of reducing emissions and achieving on-farm change.

Option 2: Government-sector agreement

Of submitters who gave a clear preference for one of the options, Option 2 was preferred over Option 1 by:

- several Māori organisations, landowners and farmers (including FOMA and Te Arawa Primary Sector Group)
- most agricultural sector submitters, including almost all dairy and sheep and beef farmers, as well as most growers and agricultural professionals
- some local government submitters
- a minority of individuals outside of the agricultural sector
- a minority of submitters from universities and research institutions.

Frequently mentioned advantages to Option 2

Many submissions noted the benefit of incorporating climate change into farm environment planning alongside water and other matters.

Some submissions suggested that efforts (from the sector, iwi/Māori and Government) would be geared toward delivering the systems, knowledge and infrastructure needed to deliver farm-level pricing.

Many noted the historic nature of having agricultural organisations and iwi/Māori coming together to support action on climate change.

Some submissions noted the opportunity for New Zealand to demonstrate global leadership on climate change through successfully implementing a system to reduce emissions collectively delivered by the industry, iwi/Māori and the Government.

Many noted that, as a potentially less expensive option, not only will farmers be under less economic pressure, more money is available for mitigation and adaptation. The Meat Industry Association was concerned that: “Even if emissions decrease [...] it is highly unlikely that, without significant offsetting and Government subsidies, the sheep and beef industry could survive under the ETS”.

Many submissions suggested that encouraging innovative and practical on-farm action will drive change in reducing emissions. Silver Fern Farms Ltd suggested that: “If we get the policy or pricing signals wrong now we are at great risk of setting our collective momentum backwards”. They thought the primary consideration should be the mechanism’s ability to affect on-farm change that incentivises farmers to reduce their emissions until a farm-level mechanism can be established.

Submitters suggested that this option will give farmers more time to prepare both for the cost of farm-level pricing and by building capability to take action ahead of price implementation.

Some submitters asserted that this option could be implemented faster.

Primary concerns from those who did not support Option 2

Submitters suggested it would not be fast enough to drive meaningful emissions reductions before 2025.

There would be no regulatory or financial onus on the industry to reduce its emissions, and this option does not address matters of responsibility in the event that significant emissions reductions does not occur. Forest and Bird New Zealand highlighted that:

Based on the industry proposal released to date, it is not at all clear how this agreement would sufficiently address matters of responsibility [...] or escalation, in the event that significant emission reductions fail to materialise.

Others feared the industry would resist or delay effective action.

This option was seen to lack enforceability, and several submitters cited the limited efficacy of other voluntary agreements.

Some submitters stated there would be less regulatory coherence with other sectors and less ability to raise funds.

Responses from iwi/Māori representative organisations

Te Arawa Climate Change Group, Waikato–Tainui and Ngāi Tahu all supported Option 1. They did so because Option 2 “has less certainty and therefore creates further intergenerational burden” (Te Arawa Climate Change Group).

Small and large Māori landowners and farmers, as well as FOMA and Te Arawa Primary Sector Group, supported Option 2. Reasons included the space to develop “a programme of action to support farmers to reduce on-farm emissions and industry resourcing to implement this programme” (Te Arawa Primary Sector Group).

FOMA voiced support for Option 2 because it stated that transitioning to lower-emissions farming requires an approach that shifts from volume to value. FOMA stated that achieving this will require a partnership approach between the Crown, Māori and the industry.

Te Arawa Primary Sector Group wanted to see Option 2 go further to create incentives and support for farm-level change.

Combining elements of Option 1 with Option 2

Some individual submitters supported combining elements of Option 1 and Option 2. They supported the certainty of a price signal from Option 1 but saw the benefits of having the agricultural sector drive the change through Option 2. This approach was seen to best encourage and recognise early adopters, while still ensuring actual reduction of emissions.

Iwi/Māori submitters in particular made mention of this possibility. They wanted to see systems to incentivise on-farm improvements implemented immediately, which could come through Option 2, while also having certainty provided to the sector through Option 1 by ‘hard-wiring’ change into legislation. Ngāi Tahu emphasised the need for the money accumulated through bringing agriculture into the NZ ETS to be recycled back into Māori and regional economic systems.

Question 6: What additional steps should we be taking to protect relevant iwi/Māori interests, in line with the Treaty of Waitangi?

Most submitters did not answer this question.

The submitters who did respond acknowledged that iwi/Māori need to be a major part of the ongoing conversation, development and implementation of these policies. All iwi submitters expressed the need for a partnership approach under the Treaty of Waitangi, and saw support for Māori land use change as an important area for partnership (including funding for sustainable development approaches).

Most agricultural sector organisations supported planning provisions being investigated, to ensure no more barriers are involved than necessary to allow for the continued development of iwi/Māori landholdings.

Many Māori submitters noted that the individual ownership structure of Māori land should not disadvantage Māori. Further, emphasis should be given to recognising, supporting and rewarding (rather than potentially penalising) less developed Māori land. One Māori farmer emphasised “the lack of historic opportunity and access to whenua by Maori landowners; the lack of development/opportunity available over time, and the resulting lack of financial opportunity realised” (Parininihi ki Waitotara Farming).

Some submitters also called for recognition of where Māori approaches to land already support biodiversity and water quality outcomes.

Question 7: What barriers or opportunities are there across the broader agricultural sector for reducing agricultural emissions?

Barriers

A large number of submitters identified the following barriers to farmers reducing their emissions:

- a lack of understanding about emissions and emissions reporting
- limited mitigation options available to reduce emissions without significant impact on business viability
- a lack of political will to implement the policies necessary to reduce emissions
- the absence of trust between the Government and the agricultural sector
- the need to balance the on-farm consequences of multiple policy changes (eg, water and biodiversity)
- the cost of estimation tools and mitigation technologies.

A number of environmental NGOs identified as a major barrier the potential lack of support from and compliance by farmers themselves.

A range of submitters commented that there are significant gaps in greenhouse gas emissions research and, therefore, an inherent lack of understanding around emissions and emissions reporting. Farmers also indicated that the current tools available for emissions measurement (such as OVERSEER^{RM}) are not fit for purpose.

Local and regional government submitters recognised that, because the NZ ETS does not have a permanent forests category, there is little incentive for the agricultural sector to plant non-commercial species, such as native vegetation.

Ballance Agri-Nutrients Ltd saw one potential barrier as: “if no cost is associated with emissions, how does a business make the case for investing into new technology, or worse, why would they?”. They believe that: “as a country we need to create an environment which encourages behavioural change because the landowner wants to change, not because legislation makes them change”.

Opportunities

A large number of submitters identified the following opportunities for farmers to reduce their emissions:

- the chance to investigate more mitigation options for reducing emissions on farm
- the chance for New Zealand farmers to lead the world in low-emissions food production
- the chance to build the skills of farmers and farm advisors regarding emissions management
- the chance to recycle funds through Option 1 to support farmers who have already adopted emissions reduction practices

- the chance to better understand how on-farm vegetation can be recognised for its environmental benefits.

The Forest Owners Association highlighted it would be valuable to further develop climate change knowledge within communities of farmers and agricultural professionals, and to work alongside them to develop appropriate pricing mechanisms.

A range of environmental NGOs identified opportunities to shift to regenerative agriculture and other sustainable farming practices. These NGOs supported research that shows stock numbers could be reduced without also reducing productivity, and they saw new trade and market opportunities for sustainable products. They also stated the Government has a role in all these opportunities.

Many farmers commented that there is an opportunity to incentivise on-farm planting of trees and other vegetation, including native species, which are currently excluded under the NZ ETS. This would have diverse environmental benefits both on farm and nationally. These submitters also highlighted that having demonstration farms to learn from would be helpful in the future.

Some submitters recognised it is important for climate change policy to be enduring and have cross-party support. This would give farmers more certainty for their decision-making about long-term investment.

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

Economic impacts

Submitters most commonly identified the potential economic impacts.

Numerous submitters, including major agricultural sector organisations, expressed concern that the proposals could have significant negative economic impacts. Many stated that on-farm earnings would be affected, which could result in reduced business viability. One submitter identified that too many costs and taxes “make it difficult to produce a quality product cheaply. In the short- and long-term you will find higher import of dairy, meat and wool [...] You are better off having a product that is produced in this country that everyone can afford which will be transported domestically” (submission 2509).

Some agricultural sector submitters were concerned about maintaining employment opportunities in the sector. Some submitters feared the proposals could create labour shortages and risk the long-term stability of the sector.

Conversely, other submitters, including several environmental NGOs, predicted positive economic effects. This included the potential for new market opportunities for sustainable products and the economic benefits this could have on New Zealand's economy in general. More resilient agricultural systems were also highlighted as a positive impact by some submitters.

Impacts on communities and social concerns

Many agricultural sector submitters noted that rural communities may be affected as a result of the proposals. This concern was raised by most sheep and beef farmers.

Many agriculture submitters discussed concerns surrounding labour. A few stated that these proposals could make it more difficult to attract people to the sector, which could have detrimental effects on rural communities.

Food insecurity and inaccessibility were also mentioned, and a few submitters argued that increased food prices could be an outcome of the proposals. Submitters also noted concern about the potential for increased polarisation between rural and urban communities.

Impacts on mental health and well-being were also raised by some submitters. These submitters thought that more pressure on farmers could increase the risk of depression and anxiety.

A number of submissions, including from major iwi/Māori groups, such as FOMA, agreed on the need for fairness within any policy changes, making a connection to wider issues of poverty and inequality, and highlighting the importance of any distributional impacts of policy change not adversely affecting Māori land users or the disenfranchised.

Environmental impacts

Most environmental NGOs and some agricultural sector groups, including forestry representative organisations, expressed optimism that the proposals, if developed right, would have a positive environmental effect in the long term as a result of emissions reductions.

Some dairy farmers and sheep and beef submitters saw a potential positive outcome in the improvement of most environmental indicators due to the awareness these policies could bring. Other farmers specifically agreed that methane and nitrous oxide need to be targeted for significant progress to be made in achieving positive environmental change.

Some submitters made a distinction between short- and long-term environmental impacts. Several submitters asserted that the Government's proposals would not result in effective changes to emissions in the short term. This view was particularly strong among both environmental NGOs and agricultural sector groups. However, when regarding long-term impacts, these groups (among others) expressed optimism about greenhouse gas emissions being reduced. Submitters saw the need to achieve change in both the short and long term to effectively make progress on climate change.

Forestry and land use change concerns

A reoccurring theme among submitters was the risk of whole-farm to forestry conversion, specifically 'blanket planting' of *Pinus radiata*. Among agricultural sector submitters, some stated specific concern about the loss of productive agricultural land, with a few highlighting the flow-on effects this could have on rural communities. One submitter identified that "the proposed and widely acknowledged temporary solution of afforestation is an offsetting exercise," rather than an actual solution (submission 134).

A few submissions across local and regional government indicated concern about increased preferential treatment of exotic over native species that the NZ ETS may prompt and how this might affect biodiversity. One submitter stated that the effects "could be substantial and long-term impacts on indigenous biodiversity – these impacts could be positive or negative, depending on the extent to which indigenous regeneration. Reforestation is incentivised relative to exotic forestry" (Christchurch City Council).

Beef+Lamb New Zealand in particular had significant concerns about the approach New Zealand is taking to meet its international commitments. They expressed concern about the potential for much of New Zealand to be planted in exotic trees, which once they have finished growing no longer have any 'carbon' value or recoverable log value. These would become economic and social dead zones. Many comments from across submitters resonated with Beef+Lamb New Zealand's viewpoint:

Agriculture is a significant part of the country's income, and proposals that allow fossil derived emissions to be offset through widespread tree planting will seriously affect the economy, and reduce the ability of the country to adapt to climate change.

Additional questions on free allocation of emissions units

Most submitters did not answer these questions. Of the submitters who did, many were opposed to a processor-level pricing scheme in principle, rather than the specific options on free allocation offered within the questions. This included agricultural sector respondents who oppose pricing agricultural emissions at processor level as an interim option, as well as many who are pro-climate action (particularly environmental NGOs) but opposed the rate of 95 per cent free allocation as being too high.

While the discussion document only talks about free allocation in the context of processor-level pricing (Option 1), the iCCC report focuses on free allocation at the farm level. As a result, in this section, some answers were given in the context of farm-level allocation.

A: Do you agree that the method for free allocation of emissions units at processor level should be output based?

About 35 per cent of the submitters who answered this question supported output-based allocation. The support was from a mix of submitters, including sector organisations, local government, science and policy organisations, iwi/Māori organisations and individuals. Te Urunga o Kea preferred output-based allocation because it creates opportunities to incentivise improvements in emissions intensity. The simplicity and flexibility of output-based allocation was noted by quite a few submitters. Ravensdown does not explicitly endorse output-based allocation but does support aligning the methods of agricultural and industrial allocation (industrial allocation is output based). Some individual submitters did not specify reasons for preferring this option.

Submitters who opposed output-based allocation are typically concerned with the costs and complexity associated with the method. The Fertiliser Association of New Zealand, Meat Industry Association of New Zealand, Alliance Group Ltd and some individual submitters, for instance, highlighted the complexity of output-based allocation. The Fertiliser Association of New Zealand also argued that output-based allocation will not provide sufficient protection against emissions leakage, while Auckland Federated Farmers and Horticulture New Zealand were sceptical it would reduce the emissions intensity of the agricultural sector.

DairyNZ, the Fertiliser Association of New Zealand, Meat Industry Association of New Zealand and Alliance Group Ltd supported proportional-based allocation, based on its perceived simplicity and greater transparency.

Waikato–Tainui was concerned that a hybrid output or land use method of allocation, as proposed by the iCCC for farm level, would disadvantage owners of undeveloped Māori land.

Most submitters who answered this question opposed pricing agricultural emissions through the NZ ETS and, therefore, an option that requires free allocation. Submitters with this position include most agricultural sector organisations and some local government and individual submitters. Some of these submitters expressly favour a formal Government-sector agreement over processor-level pricing of emissions because it does not require a complex system of free allocation.

B: Do you agree that free allocation of emissions units should be provided at the same time emissions obligation are due?

Submitters who answered this question were almost equally split on who agreed and disagreed.

Most of the agricultural sector organisations, some councils, NGOs and individual submitters indicated widespread support for providing allocations at the same time emissions obligations are due.

Submitters who agreed with this option generally thought it would reduce price volatility in the NZ ETS and provide greater certainty to participants. Some suggested this option would simplify surrender obligations.

Submitters who disagreed with this option preferred monthly allocations to allow for fluctuations in the carbon price. Horticulture New Zealand argued that an upfront allocation would provide a stronger incentive to reduce emissions.

Te Urunga o Kea neither supported nor opposed this option but questioned the rationale provided by the iCCC in support of netting off allocations. Specifically, they expressed concern about the degree of volatility in emissions prices from processors participating in the NZ ETS.

C: Do you agree with the Interim Climate Change Committee that allocation factors should be updated in line with business-as-usual improvements in emissions intensity?

About 60 per cent of individual submitters who answered this question agreed that allocation factors should be updated in line with business-as-usual improvements in emissions intensity. Most agreed that updating allocation factors would encourage ongoing improvements in emissions intensity and reduce the risk of over-allocation. Some submitters emphasised that the process for updating allocation factors should be open and transparent, supporting a legislated process to make these adjustments.

Some submitters agreed that allocation factors should be changed over time, but not necessarily in line with business-as-usual improvements in emissions intensity. Carbon Neutral NZ Trust, for instance, argued that allocation factors should be updated faster than business-as-usual improvements. The Fertiliser Association of New Zealand submitted that changes in allocation should be linked to the risk of emissions leakage and to not domestic factors such as over-allocation. Horticulture New Zealand argued that allocation settings should be indexed to the business-as-usual emissions intensity of competitors' products.

Some agricultural sector organisations did not support updating allocation factors in line with business-as-usual improvements in emissions intensity. DCANZ supported changing allocations over time by updating allocation rates rather than allocation factors. Beef+Lamb New Zealand was particularly critical of using emissions intensity to calculate allocations.

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?

Submitters overwhelmingly support setting in legislation a process to phase down free allocation, informed by the Climate Change Commission. This proposal is supported by Ngāi Tahu, as well as agricultural sector organisations, councils, science and policy organisations and NGOs.

Several submitters suggested that a legislated phase-down process would provide certainty to the sector regarding future levels of allocations. DairyNZ and Christchurch City Council submitted that any phase down should be gradual, well signalled and supported by robust analysis. Similarly, DCANZ and the Fertiliser Association of New Zealand argued that assessments of future allocation levels should include up-to-date scientific and economic analyses, as well as stakeholder input. Ngāi Tahu noted that the legislated process to adjust allocations should balance the need to limit the cost of free allocation to the taxpayer, to drive emissions reductions within the sector and maintain investment confidence and certainty. Some noted that the new Climate Change Commission should have primary sector expertise.

Other issues around free allocation

- Several prominent stakeholders, across both agricultural professionals and non-agricultural organisations, submitted that free allocation should either be rapidly phased out or not provided at all. They stated 95 per cent free allocation undermines the incentive created by pricing agricultural emissions and will not drive substantial emissions reductions.
- Without supporting or opposing a phase down of free allocation, Deer Industry New Zealand and the Deer Farmers Association concedes that, with only a 5 per cent obligation, meaningful reductions in biological emissions will be unlikely.
- Federated Farmers of New Zealand, Auckland Federated Farmers, the Meat Industry Association of New Zealand, Alliance Group Ltd and some individual submissions did not support allocations being phased down over time. A common concern was that free allocation would not be permanent and the sector would be increasingly exposed to rising carbon prices. Some submitters noted that, because the 95 per cent free allocation is an outcome of the coalition agreement between the New Zealand Labour Party and New Zealand First, there is a risk that allocations will reduce when the agreement lapses.
- New Zealand Pork submitted that the iCCC analysis was based on the ruminant livestock sector. Allocations for pig farmers should be sensitive to the diversity of practices and circumstances within the sector.
- Dr William Rolleston (Genomics Aotearoa) submitted that considerably more work is needed to formulate the allocation regime, the method of allocation, the adjustment of allocation factors and the phase-down process. He argued that allocations decisions should be made in relation to the methane target.
- DairyNZ, the Meat Association Industry of New Zealand and Alliance Group Ltd stated that free allocation may be regarded as a subsidy, which could affect trade negotiations.

Cross-cutting themes

Ability to offset agricultural emissions with carbon sequestration

A large number of submitters stated that farmers should be able to offset all of their emissions (including methane emissions) with sequestration occurring on farm. This view was common across a range of submitters both from within and outside of the agriculture sector, although it was most strongly advocated from within the agriculture sector.

Many farmers and agricultural sector organisations called for more types of vegetation and soil carbon to be recognised and rewarded as legitimate forms of carbon sequestration. Submitters sought this to be rewarded through either the NZ ETS or some other system, for example, a netting off system of on-farm emissions sources and sinks.

Rewarding soil carbon and a broader set of on-farm vegetation was seen as positive for biodiversity and rural communities because it could lead to less planting of pine trees for the purpose of offsetting. One submitter stated that the planting of exotic trees “will have devastating effects on rural communities including loss of business, jobs, social disintegration, etc” (submitter 134).

Some submitters, primarily environmental advocates or NGOs, expressed concern that allowing farmers to offset their emissions would not fully address the problem of climate change, because it would not expose farmers to the full cost of their emissions, would not encourage gross reduction of emissions, and would not be a long-term solution.

Approach to methane

Submitters had concerns about the approach the Government was taking with methane. They were concerned about the use of the Global Warming Potential equivalence metric (GWP_{100}) as a base for making policy decisions⁴. Other metrics, such as GWP^* , were seen by some as potentially more suitable and better at recognising methane as a short-lived gas.

Federated Farmers of New Zealand suggested frustration is widespread among its members that methane continues to be inaccurately measured, stating that:

While the split gases approach proposed in the Zero Carbon Bill was an attempt to address this inaccuracy, this had led to a public perception that the separate target for biogenic methane is a political concession for farmers, rather than an (inadequate) scientifically driven measure.

Role of New Zealand in a global context

Many submitters framed their views with comments about New Zealand’s role in a global context.

A large number of submitters, particularly from the agricultural sector, questioned the necessity of any action on agricultural emissions, given that: a) New Zealand contributes

⁴ Global Warming potential (GWP_{100}) compares the cumulative warming of a greenhouse gas over a 100-year period with the warming of carbon dioxide.

a small amount to total emissions worldwide, and b) submitters see New Zealand's agricultural sector as already functioning efficiently compared with farmers and producers in other countries.

Another significant group of submitters, however, believe New Zealand has a leadership role to play for other countries. These submissions called for strong action to be taken to pave the way for the rest of the world to take similar action on their own agricultural emissions.

Comparisons with other sectors

Many submitters from within, and a few from outside, the agricultural sector raised concerns that the agricultural sector was being unfairly targeted compared with other emitting sectors.

Some submitters, including environmental NGOs and the Greenpeace form submissions, stated it is unfair for the agricultural sector to be the only sector not included in the NZ ETS.

Diverse pressures on farmers

A sizeable number of submitters, primarily from within the agricultural sector, voiced concern about the large number of pressures that farmers face from multiple fronts. Some commented that, as a result, farmer well-being could be affected and the industry could lose talent.

Most submitters who expressed this view stated that the Government was already expecting a lot from farmers, between requirements around water quality and other regulations. These submissions generally predicted that, even if action on climate change was necessary, the Government's approach would damage rural communities and place significant mental and emotional stress on farmers.

Lack of sufficient ambition

For some submitters, the Government's proposals do not go far enough. These submissions expressed concern at the imminent effects of climate change and called for the Government to take more drastic action to avoid disaster. Most of these submitters were outside the agricultural sector. A small proportion of farmers also shared this view.

Questioning the science

A number of submitters considered many of the issues that the Government is focusing on are irrelevant to climate change. Some stated that the grass on farms was sufficient to counterbalance any agricultural emissions.

We also received submissions that denied either the existence or importance of climate change entirely.

Concerns about the consultation process

Several submitters, largely from the agricultural sector, raised concerns that the short consultation occurred during calving season, which limited farmers' ability to attend public meetings or make a submission. Several submitters warned that the short consultation period

might be seen by some as indicating predetermination by the Government rather than urgency or the result of external factors.

Greenpeace raised a concern about the apparent over representation of agricultural sector views throughout the policy development process.

Appendix: Summary of feedback from consultation

Summary of public information sessions

Nearly 600 people attended the 17 public meetings with most attendees being farmers and rural professionals. Other groups present to a lesser degree included members of environmental non-governmental organisations, iwi/Māori representatives, tertiary and high school students, local government representatives and interested members of the public.

Recurring themes

Frustration at the policies and consultation

- Many submitters expressed frustration, especially because consultation was held during calving season, which is a busy time for farmers.

Strong preference for Option 2 as an interim option

- Support was widespread from the largely farming-based attendees for the Government-sector agreement as the best interim option. However, concerns were expressed about the industry groups' ability to work well together to deliver outcomes and formulate how funds are distributed.
- Pricing emissions at the processor level (Option 1) were considered likely to have no effect on emissions and not provide enough of a signal to encourage behaviour change. It was seen as better to incentivise farmers by providing education and practical on-farm mitigation tools. Concerns were noted about how the \$47 million recycled funds will be spent (eg, whether they will directly benefit farmers).

Less support for pricing farm level emissions by 2025

- Some opposition was expressed to farm-level pricing of emissions by 2025. Concerns were raised that policies and legislation only looked at pricing in isolation. It was noted that pricing is only a useful mechanism if it does not affect cost effectiveness and if mitigation tools are available.

Climate change and methane targets need to be based on robust science

- Concerns were expressed about the use of the Global Warming Potential equivalence metric (GWP₁₀₀) as a base for making policy decisions and climate change targets⁵. Other metrics, such as GWP*, are seen as more suitable and better at recognising methane as a short-lived gas.
- Concerns were expressed about using the Intergovernmental Panel on Climate Change (IPCC) global methane reduction target to develop New Zealand's 2050 target.
- Most farmers thought New Zealand's 2050 proposed methane target was too high, while environmental NGOs thought it was too low.

⁵ Global Warming potential (GWP₁₀₀) compares the cumulative warming of a greenhouse gas over a 100-year period with the warming of carbon dioxide.

- Many saw the carbon cycle as grossly oversimplified and pushed for soil carbon contribution to no longer be ignored.

Farmers and growers need support in understanding their emissions and dealing with the complexity of proposed policies

- It was considered important that farmers have effective on-farm emissions measurement tools and farm plans. The administrative costs of calculating emissions could be burdensome.
- The need to build capability at a farm level to better understand increasingly complex policy and science was emphasised. Simple tools and models are needed until science and policy are robust.
- Concerns were expressed that mitigation options were limited, except to reduce stock numbers, which would directly affect profits.

The Government needs to recognise and reward on-farm vegetation and farmers who have taken early action to reduce emissions

- Many stated that pre-1990 forests, soil carbon, grass and on-farm vegetation (eg, riparian planting) should be recognised and rewarded.
- Concerns were expressed that farmers who are already reducing emissions will not be rewarded or will be expected to make similar reductions to those who have done nothing.

Impacts on international competitiveness and food security

- Many submitters highlighted that New Zealand is more efficient at producing food than other countries. It was seen as unfair to make farmers pay for their emissions, whereas New Zealand should, instead, be recognised and rewarded internationally for its efficiency.
- Concerns were raised that pricing agricultural emissions will affect international competitiveness, especially when other countries are not taxed for their methane. If New Zealand reduces its agricultural production, it could lead to other high-emitting countries increasing their production, meaning global emissions are not reduced.
- Many highlighted that the Paris Agreement recognises the importance of food production and security. A tax on methane will affect these goals.

Fairness of the proposed policies

- Submitters expressed strong interest in how the Government will help farmers in the transition.
- Concerns were expressed about the impacts of pricing emissions on rural communities. Many saw forestry as a major problem; the permanent removal of high-quality farmland to be converted to forestry will affect rural communities.
- The diversity of the sector was mentioned. It was noted that the dairy sector is a larger contributor to methane emissions than sheep and beef. Concerns were raised that horticulture was being favoured.
- Concerns were expressed about an increase in the carbon price and that the results of this would affect farm profits.