



Ministry for Primary Industries
Manatū Ahu Matua



9 July 2019

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MfE Number: **2019-B-05754**

Next steps for public consultation on agricultural emissions and update on the Primary Sector Leaders' Group proposal

Purpose:

This briefing provides the next steps to consult on the Government's proposed action on agricultural emissions and an update on the Primary Sector Leaders' Group final draft proposal for an Agreement on Climate Change.

Minister	Action Required:	Ministers' Deadline
Minister of Agriculture Minister for Climate Change	Note and agree the recommendations contained in the briefing.	As soon as possible.

Contact for telephone discussion:

	Name	Position	Work
Responsible Manager - MPI	Chris Kerr	Manager, Domestic Climate Change Mitigation Policy	021 963 214
Responsible Manager - MfE	Kelly Forster	Acting Manager, Climate Policy	022 015 3898
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Key messages

1. On 1 July, Cabinet agreed to a four week consultation on options to take action on agricultural emissions. Cabinet also agreed to consult on an option for a formal agreement with industry as one of two interim options to incentivise agricultural emissions reductions.
2. In May 2019, the Primary Leaders' Group (Leaders' Group) approached Government with a proposal for an Agreement on Climate Change (the Agreement). The Leaders' Group has revised their Agreement following discussions with you and the Prime Minister at Fieldays and feedback from officials. There has been a shift in the Leaders' Group's final draft proposal particularly in:
 - acknowledging that pricing plays a part in delivering agricultural emissions reductions and that the sector will work with the Government to design a pricing mechanism; and
 - strengthening commitments around funding a 5-year Programme of Action to build an enduring farm-level emissions reduction scheme.
3. The Leaders' Group will provide you an embargoed copy of their report once it is finalised. They intend to publicly release their final proposal for an Agreement after the Government releases its consultation document.

s9(2)(g)(i)



Withheld under s9(2)(h)



6. We understand that your Offices are coordinating with the Prime Minister's Office on the announcement to start consultation on Tuesday 16 July 2019. The consultation will include 16 public information sessions and two technical workshops; and targeted engagement with iwi/Māori from 16 July to 13 August 2019.
7. We seek your feedback on your interest and availability to attend the public information sessions.

Recommendations

8. The Ministry for Primary Industries and the Ministry for the Environment recommend you:

a) **Note** that on 1 July 2019, Cabinet agreed to a four week consultation on options to take action on agricultural emissions, including an option for a formal agreement with industry, as one of two interim options to incentivise agricultural emissions reductions [CAB-19-MIN-0337]

Noted

b) **Note** that your Offices' are working with the Prime Minister's Office on coordinating the announcement to start the consultation on Tuesday 16 July 2019

Noted

c) **Note** that the Primary Leaders Group have provided you a final draft of their proposal on an Agreement on Climate Change and they intend to release a final version of this document shortly after the beginning of consultation

Noted

Withheld under s9(2)(h)

e) **Agree** to meet with the Climate Change Iwi Leaders Group and the Federation of Maori Authorities in July to manage relationships and formalise the expectation for a long-term partnership on farm-level policy

Agree/Disagree

f) **Note** that consultation approach includes 16 public information sessions, two technical workshops, and targeted engagement with iwi/Māori from 16 July – 13 August 2019

Noted

g) **Note** that officials see value in Ministers attending some of the public information sessions and engaging with a broad range of stakeholder groups during consultation

Noted

h) **Agree** to advise officials on your availability to attend some of the information public sessions

Agree/Disagree

i) **Agree** to forward this briefing to the Prime Minister, Hon Grant Robertson, Hon David Parker and Hon Shane Jones.

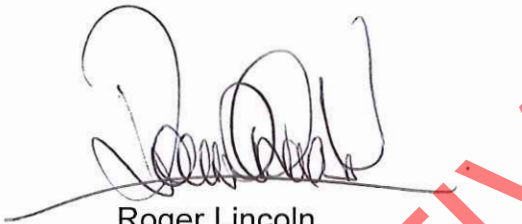
Agree/Disagree



P.P.
Charlotte Denny
Director, Land, Water and Climate Policy
Ministry for Primary Industries

Hon Damien O'Connor
Minister of Agriculture

/ / 2019



Roger Lincoln
Director, Climate Change
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Hon James Shaw
Minister for Climate Change

/ / 2019

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Background

9. In May 2019, the Primary Leaders' Group (Leaders' Group)¹ approached Government with a proposal for an Agreement on Climate Change (the Agreement). On 12 June 2019, you and the Prime Minister met with the Leaders' Group at Fieldays to discuss their proposal for an Agreement.
10. On 1 July 2019, Cabinet agreed to consult on the Government's proposed action on agricultural emissions including on a formal agreement with industry as one of two interim options to incentivise agricultural emissions reductions [CAB-19-MIN-0337 refers].

Update on the Primary Leaders' Groups proposal

There has been a shift in the Leaders' Group's revised proposal

11. At Fieldays, you agreed that more work was required with the Leaders' Group on:
 - i. Refining the conditions around implementing a farm-level pricing scheme by 2025;
 - ii. Including an acknowledgement that there could be a role for processors to play in a pricing scheme post-2025;
 - iii. Working through the high-level elements of a work programme – including work areas – to ensure sufficient progress is made to reduce emissions in the pre-2025 period, and that farmers are well supported to make an adjustment to a lower-emissions future;
 - iv. A high-level agreement on how any additional funding requirements are to be sourced;
 - v. A proposal for the governance mechanism to oversee an accord - building on what has been learnt through Mycoplasma Bovis arrangements.
12. In late June, officials from the Ministry for Primary Industries (MPI) and Ministry for the Environment (MfE), together with an independent facilitator, met with representatives of the Leaders' Group. Officials provided feedback to the Leaders' Group to help with the revision of their proposal. Subsequently, there has been a shift in the Leaders' Group's draft proposal (Appendix 1 – Primary Sector Climate Change Commitment), including in the areas identified at Fieldays:

¹ Current member organisations: are Federated Farmers, DairyNZ, DCANZ, Beef+Lamb New Zealand, Meat Industry Association, Irrigation NZ, Apiculture NZ, Foundation of Arable Research, Deer Industry NZ, Federation of Māori Authorities, and Horticulture NZ.

- i. *Refining the conditions around implementing a farm-level pricing scheme by 2025*

The revised proposal acknowledges that pricing plays a part in delivering agricultural emissions reductions and that the sector will work with the Government to design a pricing mechanism. The proposal sets out principles to guide the design of an appropriate pricing mechanism including; any price is part of a broader framework to support on-farm practice change; and price is set at the margin and only to the extent necessary to incentivise the uptake of economically viable opportunities that contribute to a lower global emissions.

- ii. *A high-level agreement on how any additional funding requirements are to be sourced*

The Leaders' Group is committed to strengthening commitments around funding a '5-year Programme of Action' to build an enduring farm-level emissions reduction scheme, including ensuring that an appropriate level of funding is available to deliver the programme. The Leaders' Group is also committed to exploring options for raising additional funding if required, under a co-investment approach with Government but has not specified how this process will occur.

- iii. *A proposal for the governance mechanism to oversee an accord*

The Leaders' Group is committed to ensuring that there is strong leadership, oversight and operational support to co-ordinate the delivery of the Programme of Action. A governance group will be established to enable this and it will have representation from each of the primary sector, iwi/Māori and the Government. More work is needed to develop the governance mechanism.

- iv. *Work through the high-level elements of a work programme to ensure sufficient progress is made to reduce emissions in the pre-2025 period, and that farmers are well supported to make an adjustment to a lower-emissions future*

The draft Programme of Action aims to incentivise farmers and growers to make early progress towards emissions reductions. It aims to do this by addressing barriers that exist to farmers' understanding of their emissions and options to reduce them; working with early adopters to identify and share examples of emissions reduction practices; and working alongside Government to develop effective mechanisms to incentivise early adopters.

- v. *Including an acknowledgement that there could be a role for processors to play in a pricing scheme post-2025*

The draft Programme of Action notes that when designing an agreed pricing mechanism, the point of obligation is to be set at a farm level, but with flexibility to allow farmers to form 'clubs' or other groups (including with processors).

13. The Foundation for Arable Research and Horticulture New Zealand, two members of the Leaders' Group, support the commitments set out in the proposal. However they will separately discuss with Government and iwi ways to address their sector's key issues and proposed action.
14. The Leaders' Group will finalise their proposal prior to the Government's announcement of public consultation with minor formatting and editorial changes. An embargoed copy of the Agreement will be sent to your offices as soon as it is finalised. The Leaders' Group intends to publicly release it shortly after the Government releases its consultation document. We will continue to work with the Leaders' Group on aligning timeframes for the release of their document. We will also provide you supporting talking points on the Agreement before consultation begins.
15. We acknowledge that the New Zealand Emissions Trading Scheme (NZ ETS) has its critics. In designing a future farm-level scheme, we need to ensure that lessons are learnt from the experience of establishing and operating the NZ ETS. It is also important for the Government to acknowledge that it is committed to working with the agriculture sector towards building a scheme that recognises and rewards positive actions taken by our farmers, growers and land owners; including planting.

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18. The proposal notes that the primary sector is committed to ensuring that there is strong leadership, oversight and support to coordinate delivery of the Programme of Action. This includes establishing a governance group with representation from each of the primary sector, iwi/Māori and the Government.
19. The Leaders' Group also note that the Programme of Action should be considered a draft for discussion. Further work, consistent with the partnership and co-design approach, is needed to develop it further should the Government decide to pursue this option.
20.

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The Government will need to ensure that the development of the Agreement (if the Government decides to pursue one) and Programme of Action meet the Crown's Treaty of Waitangi obligations including effective engagement and consultation with iwi/Māori.
21.

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the consultation document notes that the Agreement can be expanded to include a process for ensuring that tikanga and a deeper understanding of the Māori economy and wider iwi/Māori interests is reflected in work undertaken. The consultation document also seeks feedback on additional steps the Government should take to protect relevant iwi/Māori interests, in line with the Treaty of Waitangi.
22. We recommend that you meet with the Climate Change Iwi Leaders Group (CCILG) and FOMA before or during consultation to:
 - Engage with iwi/Māori in good faith, at the highest level, as well as managing the relationship (and any risks related to it) ahead of consultation; and
 - Formalise the expectation for a long-term partnership on farm-level policy, which has a greater risk of disproportionate impacts on iwi/Māori. The intent is not for separate collaboration from the sector but set up the ongoing policy collaboration and engagement structures that will need to underpin it.

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24. Cabinet has decided to extend consultation to four weeks and we have updated our consultation approach to reflect this. [Redacted]
[Redacted]
25. MfE has developed a new Te Ao Māori strategy in response to requests for a 'joined-up', approach to partnering with iwi/Māori on environmental policy. In May 2019, officials carried out 16 regional hui, the first of an ongoing quarterly hui cycle. A series of pre-engagement phone calls also established key relationships with iwi/Māori leaders, including in the agriculture and forestry sectors, and flagged the upcoming consultation on agricultural emissions policy.
26. As part of our consultation, MfE will follow up on the series of phone calls/video conferences to outline the Government's proposals and assist iwi/Māori to make submissions. A hui is scheduled for those based in Wellington. It was not considered beneficial to hold more than one hui outside of the quarterly cycle, given the strain on iwi/Māori capacity [Redacted] as well as the technical details of the proposals being relevant only for particular groups in Māori agribusiness and the agricultural sector.
27. [Redacted]
MfE is taking a long-term, holistic view for partnership and collaboration with iwi/Māori, in light of the inter-related focus of Te Ao Māori and as a response to long-standing concerns around ad-hoc engagement. Phone calls will leverage existing networks and relationships to help inform the Crown of particular iwi/Māori interests and impacts associated with the specific proposals.

[Redacted]
[Redacted]

Consultation approach

28. On 1 July, Cabinet agreed to a four week consultation on the Government's proposed action on agricultural emissions [CAB-19-MIN-0337 refers]. The consultation and communication approach includes:
- *Announcement of consultation on Tuesday 16 July 2019*: this will include a media briefing, Ministerial media release, social media posts and articles in industry organisation (e.g. Dairy NZ, Beef+Lamb and Federated Farmers) newsletters. Minister Shaw's Office has requested material to support the consultation including the media release for the announcement, key messages, and supporting questions and answers - these are attached in Appendix 3;
 - *16 public information sessions around the country with interested public and two technical workshops with targeted stakeholders*: these will be held in urban/regional centres around the country with officials to present information/answer questions. The information sessions will be promoted in newspaper advertising, social media posts and via direct email. A draft consultation schedule outlining where we propose to hold meetings is attached in Appendix 2;
 - *Targeted engagement with iwi/Māori*: direct invites to sector workshops/public information sessions; a follow-up series of phone

- calls/video conferences with key iwi/Māori representatives; and a hui for those in Wellington; and
- *Communication throughout consultation*: continued social media posts and reminders to make a submission in industry organisation newsletters/direct emails to stakeholders; and Ministerial release at the end of consultation.
29. Officials see value in Ministers attending some of the public information sessions and engaging with a broad range of stakeholder groups during consultation. We seek that you advise officials on your availability to attend some of the public information sessions. If you are unable to attend, you could consider short videos that state high-level messages. These could be played at every public information session.

Timeframes for making final policy decisions

30. Due to the shift in the consultation dates, it is likely that there will be a very short timeframe for Ministers to make final policy decisions on agriculture (possibly one week), before the introduction of the Climate Change Response Amendment Bill. If Ministers are unable to reach decisions within this timeframe, agricultural policy decisions would need to be included as soon as possible at the start of Select Committee, or shortly thereafter, as a Supplementary Order Paper.

Next steps

31. We understand that you and the Prime Minister will hold a joint media briefing on Tuesday 16 July to announce the start of the consultation. The consultation will run from 16 July to 13 August. Final policy decisions on agriculture and climate change are intended to be included in the introduction of the Climate Change Response Amendment Bill, or if delayed, to Select Committee shortly after as a Supplementary Order Paper.
32. The Leaders' Group will finalise their proposal on an Agreement on climate change prior to the Government's announcement of public consultation with minor formatting and editorial changes. An embargoed copy of the proposal will be sent to your offices as soon as it is finalised. The Leaders' Group intend to publicly release it shortly after the Government releases its consultation document.

Appendix One: Primary Sector Climate Change Commitment (Draft final)

[withheld as this is available online e.g. via Beef+Lamb, HortNZ and DairyNZ websites]

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Appendix Two: Consultation schedule 16 July- 13 August

[Withheld as this is available online at *Action on Agricultural Emissions* webpage on MfE's website]

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Appendix Three: Supporting communication materials

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DRAFT FOR MINISTERS' OFFICES

Joint Ministers' media release for action on agricultural emissions consultation announcement

Reducing agricultural emissions – Ministers call for public comment

Climate Minister James Shaw and Agriculture Minister Damien O'Connor have today released recommendations from the independent Interim Climate Change Committee (ICCC) on how to reduce greenhouse gas emissions from agriculture, together with the Government's proposed policy options.

"The agriculture sector has a key role to play in New Zealand's transition to a low-emissions economy. Emissions from agriculture contribute almost half of New Zealand's total emissions, so we cannot get there without addressing these," James Shaw says.

"Alongside additional investment of \$122 million over five years into research and tools and advice to support the agricultural sector, the Ministries for the Environment and Primary Industries have been working together to develop policy proposals that will help us achieve our goals. The proposals build on the ICCC recommendations, which were based on their conversations with many and varied stakeholders including those from the agricultural sector, rural communities and iwi/Māori."

Building on the ICCC's recommendations, the Government's key proposal is for farmers to pay for their emissions to encourage emissions reduction. But time will be needed for reporting and compliance systems, as well as educational resources, to be developed to price emissions at the farm level. To bring certainty and encourage further action to reduce emissions in the meantime, Government is considering two interim proposals:

- as proposed by the ICCC, processors (dairy/meat processors and fertiliser manufacturers/importers) paying for agricultural emissions through the New Zealand Emissions Trading Scheme initially, with funds recycled into programmes to support farmers to reduce emissions in readiness for a price at farm level
- an alternative is a sector-Government agreement that sets out a programme of action to support farmers to reduce their emissions on farm and progress on implementing an emissions price at farm level.

"We are now calling for submissions on these proposals through a public consultation. Agriculture is a key part of our economy, and policies in this area affect us all, so it's important we get the views of as many people as possible. This will include continuing to engage with iwi/Māori throughout the process as part of our commitment to our Treaty of Waitangi partners."

“Progress is already being made to reduce agricultural emissions and, as world leaders in this area, we continue to share our expertise with other countries to help the global response to climate change. New Zealand is unique in the amount of food we produce and therefore our high proportion of agricultural emissions. We have some challenges ahead to further reduce these emissions, however, I know that the sector is ready to do its part together with other sectors,” Damien O’Connor says.

“Farmers are waiting for certainty about what’s expected of them and how they can take action. We need to take the next step now and agree the key solutions that will ensure we meet our goals and secure our leadership in sustainable agricultural practices.”

“Getting feedback and making decisions on these policies is a crucial step in our transition to a low-emissions, climate-resilient future, for our economy and our communities,” Damien O’Connor says. “The Government is committed to working with farmers to help them in the transition and ensure they continue to farm productively and sustainably.”

“The additional \$122 million of funding in Budget 2019, as part of a total package of \$229 million, through our ‘Productive and Sustainable Land Use’ package - earmarked to provide information, tools and on-the-ground advice to support farmers and Māori agribusinesses, as well as improve on-farm emissions data - is part of this commitment. We are also investing more than \$60 million into researching agricultural solutions for climate change. This includes research into technology and practices that grow more food, climate change adaptation and cross-cutting issues such as forestry, as well as emissions reduction.”

Feedback from the consultation – which runs from 16 July to 13 August - will inform the Government’s final decisions on policies to reduce agricultural emissions. The intended outcomes will contribute to New Zealand’s 2030 Paris Agreement targets and the targets to 2050 in the Climate Change Response (Zero Carbon) Amendment Bill currently going through Select Committee.

“We encourage people to have their say as we are all responsible for the way New Zealand manages its response to climate change and helping achieve the Paris Agreement goal of limiting global average temperature increase to 1.5°C above pre-industrial times,” James Shaw says.

A discussion document outlining the proposed policies and how to make submissions is now available on the Ministry for the Environment website [link]. Submissions can be made online, by mail, or verbally via an 0800 number. Public information sessions will be held around the country from xx to xx (see schedule here) where officials will talk through the recommendations/proposals and answer questions.

Key messages

- Climate Minister James Shaw and Agriculture Minister Damien O'Connor have released recommendations from the independent Interim Climate Change Committee (ICCC) on how to reduce greenhouse gas emissions from agriculture, together with the Government's proposed policy options.
- The Ministries for the Environment and Primary Industries worked together to develop the proposals that build on the ICCC recommendations. The ICCC were informed by a wide range of stakeholders (including those from the agricultural sector, rural communities and iwi/Māori) and scientific expertise.
- We now want to consult more broadly and are calling for submissions through a public consultation.
- Building on the ICCC's recommendations, Government's key proposal is for farmers to pay for their emissions to encourage emissions reduction. But time will be needed for reporting and compliance systems, as well as educational resources, to be developed to price emissions at the farm level. To bring certainty and encourage further action to reduce emissions in the meantime, Government is considering two interim proposals:
 - As proposed by the ICCC, processors (dairy/meat processors and fertiliser manufacturers/importers) paying for agricultural emissions through the New Zealand Emissions Trading Scheme (ETS) initially, with funds recycled into programmes to support farmers to reduce emissions in readiness for a price at farm level
 - An alternative is a sector-Government agreement that sets out a programme of action to support on-farm emissions reduction and progress on implementing an emissions price at farm level.
- Feedback from the consultation – which runs from 16 July to 13 August - will inform the Government's final decisions on policies to reduce agricultural emissions. The intended outcomes will contribute to New Zealand's 2030 Paris Agreement targets and the targets to 2050 in the Climate Change Response (Zero Carbon) Amendment Bill currently going through Select Committee.
- Progress is already being made to reduce these emissions and, as leaders in this area, we continue to share our expertise with other countries to help the worldwide response to climate change. But more needs to be done.
- Farmers need practical information about what steps to take, clear direction on what to aim for and support in the process of transitioning to low-emissions farm practices. The policy decisions we make – with input from our consultation – will provide them with guidance and certainty.

- Policies we put in place to further reduce agricultural emissions - which contribute nearly half of New Zealand's total greenhouse gas emissions - are vital to enable us to transition to a low-emissions and climate-resilient country. We cannot make the transition without addressing these emissions.
- Taking action to address agricultural emissions will also secure our reputation as a global leader in sustainable agricultural practices, upon which a large part of our economy relies.
- There are some challenges ahead. However the sector is ready to do its part, together with other sectors, and the Government is committed to working with farmers to help them in the transition and ensure they continue to farm productively and sustainably.
- As part of this commitment, funding of an additional \$122 million over five years through our 'Productive and Sustainable Land Use' package is earmarked to provide information, tools and on-the-ground advice to support farmers and Māori agribusinesses, as well as improve on-farm emissions data.
- We are also investing more than \$60 million into researching agricultural solutions for climate change. This includes research into technology and practices that grow more food, climate change adaptation and cross-cutting issues such as forestry, as well as emissions reduction.
- We encourage people to have their say as we are all responsible for the way New Zealand manages its response to climate change and helping achieve the Paris Agreement goal of limiting global average temperature increase to 1.5°C above pre-industrial times.
- Read the discussion document on the Ministry for the Environment website, come along to a public information session to hear directly from us and make a submission.

Background information and talking points for consultation

1. This appendix provides you with background information that has been requested by Minister Shaw's office and talking points for topics that are likely to be raised by interested stakeholders during consultation. Topics covered:

Background information

- A) Benefits of addressing agriculture emissions for New Zealand's exports
- B) Impacts on farmers from Government's proposals
- C) What can farmers do now to reduce their emissions and examples of farms taking action
- D) Actions pricing emissions at a farm-level from 2025 will incentivise

Talking points

- E) Science and the Zero Carbon Bill
- F) Cumulative impact of environmental regulation
- G) Emissions leakage, global food production and action by other countries
- H) Forestry, land-use change and effects on New Zealand's rural communities
- I) Recognition of on-farm vegetation and plantings
- J) Partnering with iwi/Māori
- K) Climate impacts and adaptation for New Zealand farmers

Background information

A) Benefits of addressing agriculture emissions for New Zealand's exports

2. Globally, there is increasing consumer awareness and concern around the environmental impact of agricultural production, as well as food traceability. This has resulted in the creation of new markets and increasing demand for products with lower carbon and environmental footprints.
3. It is important that New Zealand keeps pace with global action, and remains agile to changes in consumer demand and preferences, in order to maintain its competitive advantage. New Zealand's reputation for world-leading, high-quality agricultural products and technical expertise can position it well to take advantage of growing economic opportunities in this area, including trade and intellectual property.
4. As an export-dependent country that relies on accessing high-value food and fibre markets, New Zealand exporters could be impacted by increasingly stringent quality requirements being placed on supply chains and food and fibre products.

5. Since the mid-1990s, the number of audit and assurance schemes in a number of markets (e.g. the United Kingdom and European Union) have increased significantly, with hundreds of schemes now in existence. UK supermarket chain Waitrose is a member of the LEAF (Linking Environment And Farming) Marque Scheme and competitor Tesco has its own Nature's Choice environmental standard, which all of its fresh produce suppliers around the world must comply with (e.g. New Zealand sheep meat supplied to the UK).
6. New Zealand agrifood and fibre products may increasingly be required to meet higher sustainability standards to maintain or gain access into key international markets. Most assurance programmes do not include greenhouse gas emissions (though companies such as Unilever are trialling incorporating emissions reduction in assurance programmes for milk products). The Government and sector should remain alert, as markets may increasingly seek assurances on climate change action, as well as seek opportunities to collaborate on removing regulatory barriers and diversifying from commodities into value-add products.

B) Impacts on farmers from Government's proposals

7. The impacts of pricing emissions at the farm level from 2025 will depend on the final design of the scheme, which is yet to be developed. Evidence suggests some farmers could achieve emissions reduction without impacting their profitability. For others, the economic impact could be higher with costs depending on a range of factors including the mitigation option used, skill levels, farm systems, milk and meat pay-outs, and labour costs. Under the proposed 95% free allocation of emissions units the cost to farmers is estimated at \$0.01 per kg of milk solids, \$0.01 per kg beef, \$0.03 per kg sheep meat, \$0.04 kg per kg of venison and \$2.92 per tonne of urea.
8. Fully assessing these impacts will not be possible until more detailed analysis of different design options has taken place, including free allocation. We will carry out this analysis and consult on these options, as part of further legislative changes to the Climate Change Response Act (CCRA) after 2022.
9. In the interim, the impacts of a processor-level price on emissions through the New Zealand Emissions Trading Scheme (NZ ETS) are expected to be similar to a farm-level scheme (owing to these costs being passed through to farmers), but with significantly lower administration and compliance costs to the sector and government due to the lower number of participants. The impacts of an agreement with the sector – including emissions reductions, costs to the sector and government, and impacts on iwi/Māori and rural communities – will depend on the detail of that agreement (though administrative costs are expected to be minimal).

C) What can farmers do now to reduce their emissions and examples of farms taking action

10. Joint research commissioned by the Government and agriculture sector organisations² found that there are a number of actions farmers can take to reduce their emissions and potentially maintain profitability, if improved farm management practices are put in place. These include:
 - increasing the productivity of animals (e.g. through improved reproduction), so fewer stock are needed to yield the same amount of product
 - standing stock off pasture in winter if possible
 - using nitrogen fertiliser more efficiently so less is used (i.e. using the right product in the right amount, in the right place and at the right time)
 - managing pasture to ensure grass feed is optimised (rather than bringing in other types of feed supplements)
 - using low-protein supplement feeds if additional feed is needed
 - increasing plantings of trees on less-productive farm land.
11. These changes together can potentially reduce emissions by 5-10% for some farm types while maintaining production. All farms are different (e.g. their land, farm type, geology/topography, weather, distance from processors) and all farmers are different. Farmers should get tailored advice about what would work for them and what impacts changes would have on their farm's profitability.
12. Over the last 18 months, DairyNZ has co-ordinated a Partnership Farm project plan as part of the Dairy Action for Climate Change programme. There were 12 partnership farms involved across New Zealand, modelling 44 different farm systems. The emissions mitigation methods modelled on the farms fell into three categories: farm management changes, infrastructure investment and retiring or planting land. The best options for each farm varied depending on the farm system and region.
13. One example of these partnership farms is Owl Farm, which is a joint venture between St Peter's School and Lincoln University in the Waikato. The modelled farm management changes on Owl Farm involved reducing feed and lowering stocking rates. The 2016-18 results from these changes demonstrated an 8% reduction in emissions and a 14% reduction in nutrient leaching into waterways, while also increasing operating profits by 14%.
14. Another example is Waikato farmers Adrian and Pauline Ball, the new National Ambassadors for Sustainable Farming and Growing and recipients of the Gordon Stephenson Trophy. Aspiring to model low-input, low-footprint and high-animal welfare values, the Balls have achieved best-practice agronomy to optimise crop and animal yields without compromising environmental health.

² Through the Biological Emissions Reference Group.

D) Action pricing emissions at a farm-level from 2025 will incentivize

13. Farm-level emissions pricing will encourage farmers to factor the cost of emissions into their day-to-day business decisions and find cost-effective ways to reduce them. Alongside an emissions price, farmers need tools and advice - such as integrated farm plans, extension and training, to support that decision making.
14. Pricing emissions at farm level also creates an incentive for continued investment in innovation, technologies and practices to reduce emissions. This includes innovations such as animal breeds that produce less emissions, nitrification inhibitors, methane inhibitors and a methane vaccine.

Talking points

E) Science and the Zero Carbon Bill

The split-gas target approach under the Zero Carbon Bill recognises the different cumulative effects of short-lived and long-lived greenhouse gases in the atmosphere and their respective contribution to global warming. However, some agriculture sector groups have expressed concern that the gross methane targets are too ambitious, unfairly punish the agriculture sector and restrict their ability to access forestry planting to offset their methane emissions (in contrast with other sectors/gases).

Q: Why is methane being treated differently compared to other greenhouse gases? Is the 24 to 47% methane target overly ambitious?

- **The Government's proposed targets in the Zero Carbon Bill for methane are achievable.**
- Many other countries with ambitious goals to reduce greenhouse gas emissions do not set different targets for different greenhouse gases. The Government's draft Bill has a target of 24-47% target for methane, compared to net zero for other gases, because it is:
 - a shorter-lived but highly potent gas, so doesn't have to reach zero in order to stabilise global temperatures (unlike the long-lived gases)
 - hard to reduce and there are currently few practices and technology to do so – the range of options will depend on when technological developments are available in the market for farmers to use.
- The 47% target is the upper limit if the technologies and practises are developed to get us there. The government is not expecting farmers to do more than their fair share to help reduce agricultural emissions – but we need to start making progress now.

Q: Can farmers offset their methane emissions with forestry planting through the Emissions Trading Scheme?

- **In moving to a farm-level emissions pricing scheme by 2025, the Government is committing to work with the agriculture sector to ensure farmers are recognised for their positive actions to reduce emissions on their land; including the trees they plant.**

- The Government understands that if we're to have effective policy settings for agricultural emissions, we need to ensure farmers are rewarded for the positive actions they take to reduce emissions on their land – regardless of which greenhouse gas this is.
- The target for biogenic methane proposed in the Zero Carbon Amendment Bill is for a gross reduction in these emissions. This means that, at a national level, offsets from tree planting or other removals would not be able to be counted towards the biogenic methane target.
- Decisions on how the target and emissions budgets are translated into policy to incentivise emission reductions have yet to be taken.
- However, if agricultural emissions were to be priced, under current NZ ETS settings the liability for those emissions could be 'offset' by earning carbon credits through the NZ ETS for on-farm carbon sequestration from eligible forests.

The Parliamentary Commissioner for the Environment (PCE) recommended separating targets into two categories – biological and non-biological emissions – and only allowing forestry offsetting for biological emissions. Some stakeholders and commentators have expressed a preference for this sector-based rather than gas-based approach.

Q: How do the Parliamentary Commissioner for the Environment's findings line up with the Government's position?

- **The Government's proposed Zero Carbon targets are consistent with the ranges assessed by the Intergovernmental Panel on Climate Change (IPCC) as necessary to meet the Paris Agreement's temperature goal of 1.5°C.**
- The Government's 22-47% target lines up with the IPCC's assessed range for reducing methane emissions – alongside global carbon dioxide emissions reaching zero by 2050 – in order to meet the Paris Agreement's goal of limiting average global temperature increase to 1.5°C.
- The PCE has recommended a lower target range of 10-22% to limit methane's contribution to further warming, depending on the rest of the world's action.
- If global methane emissions are reduced by less than the 22-47% range, as the PCE has recommended, global carbon dioxide emissions would have to reach zero before 2050 to limit warming to 1.5°C. This is almost certainly unfeasible, reaching net zero by 2050 will be difficult enough as it is. We can only get there if we reduce all human-produced greenhouse gas emissions wherever and however much we can.
- Because we can estimate the amount of warming produced by emissions of each gas, a gas-based target allows us to align emissions with a temperature goal.

F) Cumulative impact of environmental regulation

There is a range of environmental regulation that will be consulted on in 2019. The agriculture sector is concerned about the cumulative impact this regulation could have. We need to be clear that good environmental management on farm has positive impacts across the board (e.g. reduction in emissions and improved water quality). The Government recognises there is a lot happening in this area and that farmers need to be supported.

Q: There is a lot of regulation coming down the line for farmers – what is the Government doing to support them?

- **The Government is committed to working with the agriculture sector to help them:**
 - **transition to a low-emissions economy, while ensuring our rural communities continue to thrive**
 - **understand the challenges and the support they need from government.**
- The Productive and Sustainable Land Use Package – of \$229 million over four years - will help us tackle the environmental issues New Zealanders care about and at the same time support the primary sector cornerstone of our economy to increase the value from our exports.
- The Sustainable Land Use Package will help us get ahead of the change that is coming and manage the transition as fairly as possible.
- The Productive and Sustainable Land Use package provides investment in three broad areas:
 - getting the right framework in place for managing our environment in the interests of all New Zealanders;
 - providing on-the-ground, practical support and advice to the land and water users who are at the leading edge of this transition; and
 - making sure they have the right information and tools to make informed decisions about how to reduce greenhouse gas emissions and discharge to waterways.
- The Government is also investing in research into methane and nitrous oxide mitigation technology, including joint initiatives between government, local government and the sector.
- Budget 2019 invests \$8.5 million in 2019/20 into the Global Research Alliance on Agricultural Greenhouse Gases to reduce and mitigate agricultural emissions, and \$25 million over four years into the Agricultural Climate Change Research Platform to support world-class research here in New Zealand.

Q: What are the co-benefits for farmers taking action to reduce emissions?

- **Taking action to reduce on-farm emissions will have positive impacts on other aspects of the environment.** A study based on the National Policy Statement for Freshwater Management found that annual land-based GHG emissions in 2030 are estimated to be reduced by 0.2 to 1.7 million tonnes of carbon dioxide equivalent (Mt CO₂e) compared to 2012 levels, or 0.4 to 4 per cent, depending on the stringency of limits imposed by Regional Councils and the uptake of mitigation measures. More specifically:
 - reducing livestock numbers reduces both nitrogen leaching and nitrous oxide/methane emissions
 - planting trees can reduce erosion/sediment, increase carbon sequestration and help improve water quality
 - reducing the amount of fertiliser applied to soils leads to a reduction in both nitrate leaching and nitrous oxide emissions.

G) Emissions leakage, global food production and action by other countries

Farmers and agrifood organisations have previously raised concerns that by pricing or regulating emissions from New Zealand's agriculture sector, production may shift overseas (potentially resulting in higher global emissions). Some stakeholders have also suggested that, because they believe other countries are not taking action to reduce their emissions, New Zealand should not take action either.

Q: Won't reducing agricultural emissions in New Zealand result in higher global emissions as production will shift overseas?

- **The Interim Climate Change Committee found that the risk of production shifting overseas was not high in the near term, and can be mitigated by providing free allocation of emissions units once agricultural emissions are priced.**
- In the near term, dairy farming is unlikely to reduce significantly due to climate policy because it is a highly-profitable land use compared to alternatives. Even if New Zealand's exports decreased, regions that could increase dairy production in response are mostly in Western Europe or North America (for example California) and have highly- efficient, export-oriented production systems with emissions footprints of dairy production similar to ours.
- Farmers in these other locations also face significant environmental regulations (including pollution pricing) on the likes of nitrate, ammonia and requirements around planting trees and hedges. Examples include nitrate directives in Ireland, greening requirements as part of the European Union's Common Agriculture Policy, and manure and fertiliser management legislation in the Netherlands.
- The drystock sector is potentially more responsive to emissions prices and production shifting overseas, although the driver for land-use change away from drystock is likely to be because forestry is becoming more profitable, not because of a price on agricultural emissions.
- However, the increasing efforts of New Zealand producer and sector bodies to differentiate their products on quality and environmental sustainability may reduce the risks by increasing returns to New Zealand's red meat, dairy and fibre exports.

H) Forestry, land-use change and effects on New Zealand's rural communities

A number of rural and farming stakeholders (such as the Fifty Shades of Green group) have expressed concerns about recent policy changes incentivising tree planting (such as improvements to forestry accounting in the NZ ETS and the Government's One Billion Trees programme), as well as carbon prices in the NZ ETS remaining around a 10-year high. They have suggested these policies will see land-use shifting out of sheep and beef farming into forestry and will result in job losses in some rural communities.

Q: Is the Government concerned about the effects its policies will have on rural communities?

- **The Government is committed to supporting rural communities to thrive in a low-emissions economy.**
- On farms, the right trees in the right place for the right purpose will achieve win-wins by increasing productivity, supporting erosion control, improving water quality, increasing shade and shelter for stock, and providing income diversification through wood and carbon credits.
- For the last decade the trend in New Zealand has seen more forestry converted to farming (at around 7,000 hectares per year). However, this trend is now starting to reverse with 9000 hectares of afforestation expected this year and a total of 200,000 to 400,000 hectares of new planting needed to reach the Government's One Billion Trees target over ten years. This compares to around 12.6 million hectares of farming land in New Zealand.
- However we understand new planting may be concentrated in some regions and in working with the agriculture sector towards a farm-level emissions pricing scheme by 2025, we will ensure it enables farmers to make decisions regarding their land that achieve lower emissions, while supporting rural communities to remain productive and resilient.
- The Government's One Billion Trees grants are focussed on supporting landowners – particularly farmers and Māori landowners - to integrate forests and trees onto existing farms and land-use, and are not provided for large-scale whole-farm conversion. The One Billion Trees Fund includes a target of two-thirds of the trees planted through grants being natives (i.e. this would amount to 60 million native trees planted over the next three years).

Q: What has been the impact on services and jobs in rural areas from recent climate policy changes?

- **Anecdotal evidence³ suggests that there has been an increase in farms being purchased for forest planting, particularly in some regions of New Zealand such as Wairoa and the Wairarapa.** Data around this is limited, so it's too early to

³ REINZ figures from mid-June show there were 56 fewer farm sales than the comparable period last year. On top of this, overseas investment purchases currently show five purchases of existing forests and three purchases of farmland with a total of 2300 ha of land to be planted and a further 1200 ha to remain in current land use at a national level.

say how much it differs from normal fluctuations in sales or if there have been any significant impacts on rural employment in those regions.

- We will continue to monitor market drivers and overseas investment purchases, but currently the evidence does not suggest any major shift in purchases of properties for farm conversions to forestry.
- We know how important farming is, and will continue to be for our economy. We need to work together to address wider environmental issues and improve land-use to support a balance between volume and value, as well as secure our reputation as a world leader in sustainable, low-emissions and high-value natural products.

I) Recognition of on-farm vegetation and plantings

Some land owners have criticised the NZ ETS for not recognising all forms of on-farm forestry and vegetation. Examples cited by land owners include native vegetation, riparian strips, small woodlots, pole-planting of trees and forests planted prior to 1990.

Q: Why aren't farmers recognised for their on-farm vegetation and small forests?

- **The Government recognises the importance of land owners being recognised for the activities they are already undertaking that have benefits for the climate, such as planting native trees on less productive parts of their land.**
- **As part of work towards developing a farm-level emissions pricing scheme in 2025, the Government will consider options for how other forms of on-farm vegetation that aren't currently eligible for emissions units under the NZ ETS could be recognised and rewarded.**
- A number of types of on-farm vegetation and plantings are already eligible for existing government schemes, including the NZ ETS and grants available through the One Billion Trees programme.
- Farmers should talk to a rural consultant who's knowledgeable in this area about their options through the NZ ETS or One Billion Trees grants. Industry organisations such as DairyNZ and Beef+Lamb will be able to advise who to talk to.
- The current definition for eligible forest in the NZ ETS is forest land (planted after 1989) that is at least one hectare of forest species which is capable of reaching 5 metres in height at maturity, but does not include tree species grown or managed primarily for the production of fruit or nut crops. It has or is likely to have:
 - tree crown cover of forest species of more than 30 percent in each hectare
 - an average width of tree crown cover of at least 30 metres.
- Changing our target accounting rules or the NZ ETS to capture a wider range of vegetation would not be trivial – the costs, both to individual farmers and government, might outweigh the benefits (at least for some type of trees and vegetation). However, the Government is committed to exploring these options further as part of moving to a future farm-level scheme by 2025.

J) Partnering with iwi/Māori

iwi/Māori will want to understand what these policies mean to them, their farming interests, and how it might impact their ability to develop their land. They will also want to know how they can partner with government to design policies for the longer term.

Q: How will the future policy decision impact iwi/Māori?

- **All farmers, including iwi/Māori farmers and agribusinesses will need to incorporate climate change into their business plans, including thinking about how to reduce emissions in their businesses.**
- Many Māori and iwi-run organisations and businesses already practise kaitiakitanga and are actively thinking about how to be more sustainable. Being ahead of the curve in reducing emissions will see new business opportunities emerge for Māori and pave the way for others to follow.
- The Government is committed to supporting iwi/Māori through the transition to a low-emissions future and in moving to a farm-level emissions scheme by 2025.
- Research commissioned by the Interim Committee on Climate Change found that any additional costs arising from agricultural emissions policy could result in more barriers for the continued development of iwi/Māori landholdings. This is mainly due to the unique characteristics of Māori land (including ownership structures, governance and physical land characteristics).

Q: What involvement does iwi/Māori have in the two interim options?

- **The Government is considering two interim options in moving to a farm-level scheme by 2025. Regardless of the option we take, the Government will partner with iwi/Māori developing workable and effective farm level policies.**
- For the interim measure of a processor-level ETS price on emissions the ICC recommended that the funds raised are overseen by a board that includes representatives from the agriculture sector and iwi/Māori, including owners of Māori land.
- For the option of an agreement with the sector, the Government recognises the importance of a partnership-based approach with iwi/Māori in developing these work programmes.

K) Climate impacts and adaptation for New Zealand farmers

Climate change is likely to have wide-ranging impacts on agriculture. Agricultural productivity and profitability are particularly vulnerable to climatic conditions and, hence, the increasing risks and effects of climate change. There are varying levels of awareness amongst farmers about these future impacts – including whether they will bring negative change, positive change or no change at all.

Q: What are the impacts of climate change likely to be on farmers?

- **It's likely that changes to rainfall, humidity and temperature will create new climatic conditions, which will be felt differently across our regions and sectors. Areas of agricultural production are likely to change with drought affecting some, flooding affecting others and winter frost disappearing from certain areas.**
- As a result, likely climate change effects include:

- changes to where and how various products can be grown – demands on water/fertiliser are likely to increase and the types of produce that can be grown in different areas are likely to change due to increasing temperatures and changing rainfall patterns
- the increased presence of pests and disease – existing types will have greater ranges in which to establish themselves and higher temperatures are more suited to new tropical invaders.
- It's also likely that increased extreme weather events, such as severe droughts, storms, rainfall events and floods, will impact the agricultural sector by:
 - reducing land quality and increasing contamination of waterways, with flow-on effects for stock management
 - disrupting transportation and processing facilities, which will affect profitability
 - causing land erosion which results in further issues with stock management and productivity.

Q: What is the Government doing to help farmers adapt to climate change?

- **The Zero Carbon Bill includes a framework for enhanced action on climate change adaptation. This includes:**
 - **a regularly reviewed National Climate Change Risk Assessment to improve our understanding of the climate risks we face**
 - **a regularly updated National Adaptation Plan to outline the Government's approach to improving communities' resilience to the effects of climate change.**
- MPI invests in a number of research funds and grants with adaptation components. It has also recently established the Climate Change Adaptation Reporting and Evidence team to help farmers adapt to climate change. This team is working to create adaptation policy from the ground up by working in collaboration with industry, Māori and regional councils to enable the primary sector and rural communities to reduce risk and realise opportunities associated with climate change and improve kaitiakitanga.
- Research into likely impacts has also been carried out, alongside guidance created for local councils to help plan for and manage the risk of the increasing effects of climate change. Information on the likely impacts for New Zealand by region is available on the Ministry for the Environment's website.

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