

Submission by



to the

The Primary Production Committee the

On the

Climate Change Response (Emissions Trading Scheme Agricultural Obligations) Amendment Bill.

26 July 2024

Introduction

Business New Zealand supports the **Climate Change Response (Emissions Trading Scheme Agricultural Obligations) Amendment Bill** (the Bill), the effect of which would be to remove agriculture activities from the New Zealand Emissions Trading Scheme (the ETS).

Discussion

We do believe that agriculture should contribute to New Zealand's efforts to combat climate change by reducing greenhouse gas emissions. We also recognise that New Zealand food product exports to some markets could be at risk, if the country was perceived not to be taking sufficient climate action.

The problem with the ETS

However, we believe that the ETS would be a blunt and severely damaging tool for reducing agricultural emissions. In the absence of the Bill, farmers would be required to surrender New Zealand Units from the start of 2027 - before effective and affordable emissions-mitigating technologies will be available. We are aware that work is underway to develop such technologies, and we note from the Discussion Document on New Zealand's Second Emissions Reduction Plan (ERP2)¹ that it is expected they will be commercially available to New Zealand's pasture-based farmers from 2027/28. But the timescale is uncertain.

In the absence of effective and affordable emissions-mitigating technologies, using the ETS would inevitably lead to lost farm production. It would render many farms financially unviable. And it would harm the wider economy. Moreover, in all likelihood, there would be a transfer of production overseas, possibly to countries where there are weaker efforts to reduce emissions, with the result that emissions at global level could actually increase.

Issues with pricing agricultural emissions

Although it is not a matter for the Bill, it is also pertinent to consider how agricultural emissions could be reduced, if agriculture is kept out of the ETS. As AgriZeroNZ puts it: the challenge is to reduce agricultural emissions, not profits.

We recognise that some form of on-farm emissions pricing might be justified in due course, but we are also opposed to the introduction of pricing in advance of the widespread availability of effective and affordable mitigation technologies that do not significantly reduce agricultural production and farm viability. These technologies include the methane inhibitors and vaccines, mentioned in the Discussion Document on ERP2, and we also look forward to the development of clear government policy on the use of genetic modification in pursuit of climate goals. In addition, we believe that it will be important to develop reliable and administratively simple ways for on-farm emissions to be measured and reported.

When the then government published a consultation document on pricing agricultural emissions, late in 2022, we undertook statistical modelling, based on information in the document, to illustrate how pricing could affect the country's rural economies².

This modelling indicated that districts that were specialised in livestock farming and were also home to meat works or dairy processing plants could experience dramatic reductions in their employment because of reductions in on-farm production, and in the industries that supply farming or process farm produce. We found that there were five District Council areas where more than 40% of employment in farming and in key industries upstream and downstream of farming was at risk. There were also a further six District Council areas where 30-40% of employment in farming and in key industries upstream and downstream of farming was at risk.

¹ <https://environment.govt.nz/publications/new-zealands-second-emissions-reduction-plan-discussion-document/>

² [221118-Pricing-Agricultural-Emissions1794.pdf](https://businessnz.org.nz/221118-Pricing-Agricultural-Emissions1794.pdf) (businessnz.org.nz)

We concluded that whole communities could collapse, if agricultural emissions pricing was introduced in the way envisaged at the time. A lot of farm land, especially land used for sheep and beef farming, would be converted to more profitable plantation forestry. But this alternative use would not provide the same direct employment opportunities, nor would it generate the same levels of employment in downstream processing activities as farming does. Consequently, we urged that any system for pricing agricultural emissions should be fully cognisant of the wider costs and benefits of its introduction.

Imposing the pricing of agricultural emissions in advance of the wide availability of effective and affordable emissions-reducing technologies would also carry the same risk as forcing agriculture into the ETS, in that it could result in the transfer of production overseas, possibly to countries where emissions per unit of production are greater than they are in New Zealand.

Recommendations

To summarise, we recommend to the Primary Production Committee that:

- the Climate Change Response (Emissions Trading Scheme Agricultural Obligations) Amendment Bill should proceed, and
- the introduction of pricing agricultural emissions should not proceed before effective and affordable emissions-reducing technologies become widely available to New Zealand farmers.

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