What Federated Farmers actually agreed to on climate change and pricing

You will have undoubtedly seen or heard about the release yesterday of the Government's recommendations on the Interim Climate Change Commission report. A lot of the media outlets have pretty much got confused with this announcement and the targets discussion and quite frankly written something that bears little resemblance to what our sector has actually agreed to, or basically just grabbed a bunch of quotes from here, there and everywhere and turned it into something largely nonsensical.

So, in the plainest English here is what the go is –

- The government intends that from 2025 it will price livestock emissions at the farm level, and price fertiliser emissions at the processor level. Nothing new here from what the ICCC was predicted to recommend.

- It doesn't yet spell out the mechanism for how that will look on farm, though it does recommend that it is based on a hybrid emission per hectare/per kg of product. For those who don't know, Overseer can tell you how many kg of Co2 equivalents your farm produces per kg of product (meat or milk) and also a per hectare figure. The ICCC was looking at basing the pricing on either of those two methods. There are issues with both: A per hectare figure could hurt those farmers who may be very efficient but only have productive land and no marginal land they can offset on. This might harm our current world-leading status for carbon footprint per kg of product. Likewise, a per kg of product pricing mechanism could penalise those farmers who have a QE2 covenant, for example. They give no concrete formula of how this hybrid approach will look so I can't tell any of you individually what it may cost you. This approach obviously still needs to be designed.

- They say, however, they will need until 2025 to put the mechanism in place to properly account for emissions at the farm level.

- Until 2025 the government proposes a processor-based levy – average costs based on a $25/tonne carbon price and 95% free allocation is 1 cent per kg of milksolid, 1 cent per kg beef, 3 cents per kg lamb. However, carbon is widely talked about as going up in price to around $100 to $150t, and that 95% free allocation only lasts till next election.

- The Ag sector has instead proposed an Action Plan that instead of government taking this money, and likely wasting half of it, then maybe giving some back for research. The sector instead proposes that the levy bodies focus on particular aspects of research and get in place a proper farm level accounting system that takes into account not just emissions but ALL our sequestrations on farm, along with other on farm actions and extension.

- The government has spun this a bit to say that we all agree to agriculture going into the ETS. **This is not correct.** The key piece of wording from the Primary sector agreement is:

"….The sector will work with government to design a pricing mechanism where any price is part of a broader framework to support on-farm practice change, set at the margin and only to the extent necessary to incentivise the uptake of economically viable opportunities that contribute to lower global emissions…"

So a pricing mechanism doesn't necessarily mean ETS. At the margin means only that methane which is driving additional warming. Based on the new Global Warming Potential Star metric that shows reductions of only 0.3% per year are required to produce no additional warming (NZ ag has been at the level for the last 11 years), if that carries on then there would be no costs associated with methane. We're saying that if the addition of costs were to discourage production in NZ and drive it offshore at higher emissions rates, we shouldn't do it. At the back of the document there is also a set of Principles that Feds had to be extremely stubborn about to get included.

If the document is changed, and Federated Farmers feels that it starts running counter to our stand on pricing emissions, then don't expect our logo to be on any final version that doesn't have those key principles in it. We have discussed this with our provincial presidents and their view was it is better to be in these discussions and trying to ensure the best outcome for farmers than to throw our toys out of the cot.

The key points again:

1. Federated Farmers does not and has not supported agricultural emissions going into the ETS - whether that be from 2025 or at any other time.

2. We have been clear in our involvement in discussions on the industry proposal that we see it as an alternative to the 5-year interim option outlined by the ICCC and not a commitment to emissions pricing by 2025.

3. The pricing of agricultural emissions may only be considered if:

- **a. This occurs at the margin for methane (where additional warming occurs) and not on the inaccurate GWP100 value.**
- **b. This occurs to incentivise the use of a cost-effective mitigation tool that is available, with regulatory approval, to farmers. None are currently available**
- **c. New Zealand farmers are not put at a disadvantage to our main international competitors. Any reduction will be replaced with production in countries that have higher emissions per unit of output, and often subsidised. This is known as "emissions leakage" and results in higher greenhouse gas emissions and higher food costs.**

4. If these prerequisites are not met, regardless of when, Federated Farmers does not support emissions pricing for agriculture.

5. Federated Farmers supported the development of a framework for:

- **a. The rollout of farm level emissions reporting;**
- **b. To put farmers in the best place to take advantage of cost effective mitigation options when they are available.**

Final key point:
All of this hangs on what happens with the methane target. We submitted the target that should be based on best available science regarding the additional warming impact from methane, and the Climate Commission should be calculating this. If they must have a number we said use the 0.3% per year figure from the work of the Oxford and Victoria University researchers (GWP*). Thus 10% by 2050.
Unfortunately, while we hoped there would be consensus in Ag around the same figure, there wasn't.

What about carbon dioxide?
I've been asked why aren't we being stronger on carbon dioxide. Yes, Co2 is a long-lived gas and we need substantial gross reductions in Co2 if we are to meet the Paris goals. So we certainly support action to reduce emissions from transport and electricity, the main contributors to Co2 emissions.

However, we need to remember that farmers and the wider primary sector are significant users of transport and electricity. Farmers use their own vehicles on and off road and are major users of road freight transport for farm inputs and outputs. Many farmers, especially those who irrigate, use a lot of electricity. And of course farmers' production (milk, meat, etc.) is processed by energy intensive dairy and meat processors. Substantial increases in energy costs because of dramatic emissions reduction targets could bite the primary sector hard.