

15/11/2022

GREENPEACE

Submission to: Agricultural emissions pricing consultation,
Ministry for the Environment,
PO Box 10362,
Wellington 6143

Email address: AgEmissionsPricing@mfe.govt.nz

From Greenpeace Aotearoa
C/- Christine Rose
crose@greenpeace.org

Introduction

Greenpeace is a global, independent campaigning organisation that acts to protect and conserve the environment and to promote peace. Greenpeace is one of the world's largest and oldest environmental organisations, operating for half a century, since 1971, and now works in more than 55 countries. The New Zealand branch of Greenpeace (Greenpeace Aotearoa) was founded in 1974 and has grown to represent 35,000 financial donors and many tens of thousands of supporters.

Greenpeace Aotearoa believes that a robust, fair and equitable emissions management plan must be written independently. Permitting New Zealand's most polluting industry to write its own emissions management plan as has occurred with He Waka Eke Noa and the "Government's" emissions pricing scheme is unacceptable special treatment.

Greenpeace has written many substantive submissions about greenhouse gas emissions and climate change, which can be found referenced below¹. We are frustrated by the lack of consideration given to our past submissions and the inadequate pace taken with this most pressing of concerns. As a result we are cynical of this consultation period especially since the Government is basically adopting an inadequate, industry-led scheme which will not address the environmental destruction created by intensive dairying in particular.

Handing power to the industry to negotiate He Waka Eke Noa was always going to lead to a suboptimal outcome relative to the action needed to address emissions and the requirements expected of other sectors. We also believe the industry has acted in bad faith by arguing for and developing He Waka Eke Noa and now threatening to walk away from it when the Government has not adopted its recommendations in full.

The farming sector is among the first and worst affected by climate change - as we see in recent Canterbury, West Coast, Nelson and Tairāwhiti floods, Southland and Northland droughts, and many other climate-fuelled extreme weather events.

But intensive dairy greenhouse gas emissions also put the whole New Zealand climate at risk, jeopardising the future life supporting capacity of land and water, and undermining the safe and habitable future of children and grandchildren to come. No child should have to

¹ Submission on '[Action on Agriculture Emissions](#)', Submission on [Climate Change Commission's original advice](#); Submission on [draft Emissions Reduction Plan](#)

fear for the future of the planet because of avoidable climate change and because governments are too weak to stand up to the worst polluters.

We recommend that the Government reject He Waka Eke Noa which is the basis for the proposed emissions pricing scheme, and phase out synthetic nitrogen fertiliser which is driving too many cows, too many emissions. What's proposed is inequitable, with its disproportionate effects on beef and sheep, and Māori owned farms. The outcomes of this model are highly uncertain, it is expensive to administer, it may not drive emissions reductions. It is impossible to offset methane emissions, which must be reduced instead, and the best way to do this is through phasing out synthetic nitrogen fertiliser and too many cows. At very least, emissions should be priced at processor level which is the most equitable, efficient and transparent way of pricing and for which instruments already exist.

Instead of a plan developed by the industry in their own interests rather than the climate, we recommend direct regulation that provides certainty, transparency and equity for all society, and which actually reduces greenhouse gas emissions from the worst polluters - intensive dairy. Phasing out synthetic nitrogen fertiliser is the most obvious and straightforward way of reducing dairy emissions and New Zealand's contribution to climate change.

Specific questions

Question 1 Do you think modifications are required to the proposed farm-level levy system to ensure it delivers sufficient reductions in gross emissions from the agriculture sector? Please explain.

Yes, it should be rejected. We don't support the proposed farm level scheme. It is unproven, too uncertain and inequitable. It is too dependent on technofixes. Phasing out synthetic nitrogen fertiliser is a more effective way of reducing emissions.

The Government's proposal notes at P61 "The commercial availability, cost and efficacy of mitigation technologies is highly uncertain. Farm-level pricing is expected to incentivise the development and adoption of these technologies but at an unknown rate." The climate crisis is too severe an issue to leave to uncertain technofixes - these are no substitute for direct regulation to phase out synthetic nitrogen fertiliser and reduce the dairy herd.

Question 2 Are tradeable methane quotas an option the Government should consider further in the future? Why?

Yes, a cap is important to actually reduce emissions over time. We support tradable methane quotas in principle but only if there's a sinking lid. Any system must actually reduce emissions.

Question 3 Which option do you prefer for pricing agricultural emissions by 2025 and why? (a) A farm-level levy system including fertiliser? (b) A farm-level levy system and fertiliser in the New Zealand Emissions Trading Scheme (NZ ETS) (c) A processor-level NZ ETS.

We support direct regulation to phase out synthetic nitrogen fertiliser, the driver of intensive dairy and New Zealand's high greenhouse gas / methane emissions profile. Of the proposals offered, we prefer a processor-level scheme because it is direct, clear,

transparent and easy to administer based on the fact that there are only two main fertiliser companies who import, manufacture and/or distribute synthetic nitrogen fertiliser, and the companies already report on their fertiliser sales meaning no expensive and time consuming reporting infrastructure needs to be developed.

Question 4 Do you support the proposed approach for reporting of emissions? Why, and what improvements should be considered?

No, it is complicated and has a high administrative burden. It is expensive and inefficient compared with processor-level reporting. It is difficult to measure and enforce.

Question 5 Do you support the proposed approach to setting levy prices? Why, and what improvements should be considered?

The agriculture industry itself should definitely not be involved in setting the prices for greenhouse gasses. This role should be handled by an independent body such as the Climate Change Commission, not the industry, and not the Government, which is too political and therefore lacks the neutrality required for an equitable, transparent and even handed pricing system that treats intensive dairying fairly compared with other polluters.

Question 6 Do you support the proposed approach to revenue recycling? Why, and what improvements should be considered?

No, it is dodgy, and gives special treatment to polluters. No other polluting sector gets their greenhouse gas levies hypothecated and ring fenced. The proposal is therefore inequitable. The return of all funds dilutes the intention of pricing emissions and with the proposed rebates, leads to more money coming back to polluters than paid by them, so subverts the intent of using pricing mechanisms as an economic instrument to shift behaviour change and lower emissions.

Question 7 Do you support the proposed approach for incentive payments to encourage additional emissions reductions? Why, and what improvements should be considered?

As above, no, it is inequitable and distorts the intention of using economic instruments to change behaviour.

Question 8 Do you support the proposed approach for recognising carbon sequestration from riparian plantings and management of indigenous vegetation, both in the short and long term? Why, and what improvements should be considered?

No, the agriculture industry should be rewarded for carbon sequestration through Emissions Trading Scheme standards like everyone else and not be given special treatment, especially where monitoring and measuring those exceptions is so problematic. There should not be a set of rules to reward claimed sequestration for industrial agriculture that are different from those applying to other sectors. Also you can not offset methane through tree planting, instead, methane must be reduced through input controls and fewer cows.

There is also the risk of double dipping where rates rebates are claimed for land protected

under QE2 Covenants for example, or riparian margins subsidised by Jobs for Nature. Only bush that actually reaches a standard (height, area - the Emissions Trading Scheme standard) that can sequester greenhouse gas emissions should be eligible for rebates.

It is inequitable to reward levy payers with otherwise non-complying sequestration rebates when non-polluting and non-paying citizens who have vegetation, scattered exotics, woodlots and shelterbelts don't get rebates or payment for their sequestration.

Question 9 Do you support the introduction of an interim processor-level levy in 2025 if the farm-level system is not ready? If not, what alternative would you propose to ensure agricultural emissions pricing starts in 2025?

We support a phase out of synthetic nitrogen fertiliser to address direct emissions as well as those created by intensive dairying dependent on this input. As an alternative we support a processor level-levy which should be implemented immediately.

A pricing scheme will be more efficient at processor- level. The back-office functions are not established farm-level reporting whereas processor-level pricing could be implemented straight away. Processor-level pricing will have a more direct impact.

Mitigation is no substitute for reduction - so reducing emissions from synthetic nitrogen fertiliser and intensive dairying, is more efficient, effective, direct, with least cost, and doesn't depend on unproven technofixes.

Processor-level captures manufacture and use in one place and allows pricing within ETS which is simple and consistent.

Processor-level pricing captures other users of synthetic nitrogen fertiliser such as horticulture and arable farming so is more equitable.

Processor-level pricing has low administration costs for farmers, and is more feasible as reporting to Environmental Protection Authority via the New Zealand Emissions Trading Register, already occurs. Therefore, processor-level emissions pricing is more easily implemented than a farm-level scheme.

There are high risks of a farm level system not being in place on time whereas processor-level pricing is ready to go.

A processor-level scheme could raise \$187 million in 2025 and would also have a much more direct impact on fertiliser use and emissions.

As noted in the consultation document, a processor-level levy would result in additional costs for agricultural processors if a farm-level system were implemented too. Such costs may include both set-up and wind-down administrative costs to respond to payment of a levy. So it makes more sense to just have a processor-level system. This would add no administrative burden on farmers and growers and drive fertiliser and stock reductions, achieving overall environmental improvement across the sector, and would lead to a reduction in national emissions from industrial agriculture.

Pricing synthetic nitrogen fertiliser at processor-level would lead to direct pricing of emissions and provide an emissions reduction incentive in itself.

Full pricing is important to drive behaviour change and emissions reductions, i.e. the full levy of \$108 rather than the \$10 proposed for the processor-level price, is more appropriate, effective and equitable: The consultation report notes that processor-level pricing is more effective at driving reduction: "Pricing emissions via the NZ ETS would lead to a higher

reduction in agricultural emissions that well exceeds Aotearoa New Zealand's emissions reduction targets. This effect is driven by higher prices within the NZ ETS and phase out of free allocation from 95 per cent in 2025 to 90 per cent in 2030, which in combination lead to significantly higher prices than modelled in the farm-level levy option (effectively double the high biogenic methane price scenario for the farm-level levy)." p59. Given that we need to actually achieve emissions reductions, this is important and should be supported.

Question 10: Do you think the proposed systems for pricing agricultural emissions is equitable, both within the agriculture sector, and across other sectors, and across New Zealand generally? Why and what changes to the system would be required to make it equitable?

No, it privileges the worst polluters, intensive dairy, and punishes the least polluting beef and sheep farms, as well as Māori owned farms.

It is also unfair to other New Zealanders who will have to make up the difference of the 95% discount proposed for agricultural CO2 emissions under these proposals, including the 'ETS backstop'.

It is also inequitable to other owners of trees if only the farm sector non-ETS vegetation gets rewarded with rebates.

Question 11: In principle, do you think the agricultural sector should pay for any shortfall in its emissions reductions? If so, do you think using levy revenue would be an appropriate mechanism for this?

In part. We agree with the agricultural sector, and intensive dairying in particular, reducing its emissions more directly to start with. Paying for shortfalls is inadequate because paying doesn't address climate change, especially regarding methane emissions which can not be offset.

The methane targets are too weak, we support regular reviews of progress against targets including the global methane pledge, as the current targets are inadequate, and according to the Government's proposals, progress is likely to be inadequate too.

We have serious concerns about the suggestion that if progress towards achieving targets is tracking ahead of schedule, targets may be lowered. They are not ambitious enough already. The proposal therefore contains two free passes - potentially lesser action and lower targets if the industry struggles to meet them, and then also lesser action and lower targets if the sector tracks in advance of milestones.

We have significant concern with the suggestion on page 33 that Ministers would periodically need to assess whether methane emissions were on or off track regarding the emissions targets. If emissions are over or under-achieving, the Ministers could update the biogenic methane price. In fact, the methane reduction targets are a minimum, and so there should be no change to pricing to allow more pollution if the industry was tracking well against targets.

In reality this process should review targets to ensure they're achieving Paris Accord 1.5 degrees maximum warming targets and other current and emerging international obligations.

There should be a safety valve so that if industry progress is insufficient and not on track to achieve Paris Accord, methane pledge and domestic methane reduction targets, other instruments to address methane and other greenhouse gas emissions are triggered.

Question 12: What impacts or implications do you foresee as a result of each of the

Government's proposals in the short and long term?

There are real risks of failure to achieve targets, that the targets are too low to address the climate crisis, and dependency on techno-fixes is ill-placed. There are real risks that the modeling overstates emissions reductions expected and that no meaningful reductions are achieved.

There is also the risk that this proposal does not get implemented because it is politically unpopular or too difficult to implement. It is better to stop treating intensive dairy as a special case, and to level the playing field across all polluters.

Question 13: What steps should the Crown be taking to protect relevant iwi and Māori interests, in line with Te Tiriti o Waitangi? How should the Crown support Māori land owners, farmers and growers in a pricing system?

As tāngata whenua, the indigenous people of this land, Māori have farmed in Aotearoa for hundreds of years. The collective rights of iwi and hapū to maintain their lands are guaranteed by Te Tiriti o Waitangi, but these rights have been repeatedly violated, leading to massive loss of Māori land. Right now, much of that land is currently used as dairy farming, as some people from Ngāti Mutunga and Parihaka have outlined, and called for the land to be returned. It is important that a transition to sustainable and low emissions agriculture is co-designed with Māori and contributes to overcoming, rather than entrenching, past injustices. Māori farmers and communities have significant collective wisdom to contribute to a vision of more sustainable and regenerative farming in Aotearoa New Zealand. Māori farmers are often already leading efforts towards more sustainable agriculture, and are more likely to already be conserving areas of native forest on their lands. Our approach to emissions pricing should recognise and support these efforts, including through a dedicated fund to support nature-based solutions on Māori land.

Maitike Mai outlines clearly how the Crown can honour Te Tiriti O Waitangi. Action is needed to shift power in the kawanatanga (Crown) sphere, to both co-governance and tino rangatiratanga (Māori making decisions) spheres.

This means that agricultural pricing must not only be done in a co-governance structure (and this is crucial), but must also involve returning land, money and power to Māori. This needs to be better reflected here: not only should land be given back to mana whenua, but more funds should be committed to Māori farms.

Question 14: Do you support the proposed approach for verification, compliance and enforcement? Why, and what improvements should be considered?

So much work needed this makes the proposal impractical. The report notes that there may be around 23,000 participants so not all can be audited - this is highly problematic. If compliance can't be verified, monitored and enforced successfully then the veracity, equity, and effectiveness of the whole proposal is in doubt.

Full cost recovery is supported. Other taxpayers and citizens should not have to subsidise the costs incurred by the industry.

Question 15: Do you have any other priority issues that you would like to share on the Government's proposals for addressing agricultural emissions?

Yes - action on reporting on progress on achieving the synthetic nitrogen fertiliser cap; regulated phasing out synthetic nitrogen fertiliser; Pricing at processor-level without a discount; support for more plant-based regenerative organic agriculture.

Ultimately regulation is what really matters rather than diffuse and unproven instruments as proposed.

Conclusion

The Government has been manipulated by the He Waka Eke Noa partners who have stalled urgent climate action, and this proposal continues to give the industry - especially intensive dairy, a free pass at the environment, other tax payers' and future generations' expense.

The Government's emissions pricing proposals are unfair and inappropriate and perversely reward the worst polluters, intensive dairy. The proposals are based on hypothetical technofixes which have no proven application in New Zealand. The proposals signal an inadequate response to climate change - and amounts to greenwashing because there's no confidence the proposals will reduce emissions to the level required to meet our international obligations or our obligations to other animals and future generations.

The proposals are cumbersome, expensive and inequitable, and no substitute for direct regulation to phase out climate polluting sources in synthetic nitrogen fertiliser and reduce cow numbers.

The methane and other greenhouse gas targets are insufficient, and not in keeping with what's required to head off climate change while we have the chance. The measures suggested are too indirect, especially when supplemented by rebates that provide more rewards (ie for sequestration) than they derive funding for.

The most credible and effective way to address agricultural greenhouse gas emissions is to phase out synthetic nitrogen fertiliser which has significant fresh and drinking water co-benefits.

At very least the Government should adopt a processor-level pricing scheme which is easy and efficient to administer in a timely way since the reporting systems for synthetic nitrogen fertiliser in particular, are already in place. A cap and trade system as suggested by the Climate Change Minister would allow farm-level emissions adaptation, while still reducing emissions. The industry must not be allowed to influence emissions pricing, and sequestration rewards must be even handed and robust, to be credible. There must also be provision to increase emissions reductions targets as 10% reduction by 2030 fails to reach New Zealand's domestic and international commitments.