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## **Submission on the Emissions Trading Scheme Review**

To the Emissions Trading Scheme Review Select Committee

### ***Introduction***

#### **This submission is from the:**

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We do not wish to appear before the committee.

### **About the Carbon Farming Group**

The Carbon Farming Group is an independent not-for-profit organisation which provides neutral and impartial information to rural landowners on climate change, climate change policy and associated issues.

The Carbon Farming Group was established after an independent review on perceived knowledge of climate change was conducted in 2007 over all industry sectors in New Zealand. It concluded that the agriculture sector was the least informed and had very little understanding of climate change issues and policies.

The main hub for the Carbon Farming Group is a website [www.carbonfarming.org.nz](http://www.carbonfarming.org.nz). This website has a simple agriculture carbon calculator for farmers to assess potential carbon emissions and the potential costs (based on pre-election ETS policy). This website has been running for 6 months and to date has received over 96,000 hits. The Carbon Farming Group website has also featured in rural news articles (TV and print media), and has established a position as a credible independent source of climate change information.

In addition to the website, the Carbon Farming Group has a toll free number, answers email enquiries and makes appearances at field days (free of charge) by request.

This submission is based on feedback received from the rural sector through emails, phone calls and comments at field days.

### ***Terms of reference***

This submission is based on the feedback received by the Carbon Farming Group. Each of the terms of reference has a comment interpreted from direct farmer (audience) feedback followed by Carbon Farming Groups general observations. The terms of reference have been numbered in sequence as they appear on the New Zealand Parliament website.

## **1 – International relation aspects of this issue**

### *CFG audience comments*

Some concerns that NZ is including agriculture into the ETS when other countries are not. Why is NZ leading the way internationally in this regard?

### *CFG general observations*

General awareness of 'embedded carbon' in food production seems to be good, but the understanding of how New Zealand can mitigate this through a carbon mechanism (ETS or Tax) seems to be low.

Those agricultural producers that are aware and actively seeking product differentiation are concerned with the wide range of possible standards, discerning true value of the different standards, and looking for robust and clear guidelines.

## **2 - Prospects for an international agreement on climate change post Kyoto 1**

### *CFG audience comments*

Equity is important. Do not wish to be disadvantaged, but can see market questions requiring response.

The majority of responses to the CFG have not questioned the existence of a NZ ETS but the agricultural requirements of the ETS (i.e. too onerous for farmers). Seems to be a general acceptance that an ETS is necessary for New Zealand, just review the targets and make fair comparisons to international competitors

Soil and pasture carbon should be considered in any future agreements. More research (and dissemination of findings) is needed. Valid practitioner experience should be respected alongside academic findings.

### *CFG general observations*

Any international moves not to include agriculture must be considered in context with New Zealand's emission profile and therefore responsibilities, risk exposure (to criticism of inaction), and precedent set for other nations' to similarly protect high emission intensity industries because of 'special' status (especially including establishment of effective trade barriers to New Zealand produce).

Build flexibility into ETS system to allow adjustment as global demands and conditions change.

## **3 - Regulatory impact analysis**

### *CFG audience comments*

There is a requirement for the future proofing of New Zealand produce in international markets.

Cost of compliance should be as low as possible.

### *CFG general observations*

Points of obligation will determine 'on-farm' levels of accounting required and hence awareness, and therefore pro-activity to reduce emission related costs. For maximum price signal to farmers Points of obligation should be at farm level. This increases compliance costs however, so if chosen as final option should be fair and proportionate in reporting complexity requirements

Commercial incentives to innovate/improve will be reduced if no price on Carbon exists

#### **4 - Central/benchmark projections which are being used as the motivation for international agreements**

##### *CFG audience comments*

Small number of individuals disagree with science, most express moderate agreement and concern about Climate Change. Market perception overrides science now (market accepts Climate Change is real, so New Zealand must).

##### *CFG general observations*

Any conclusion from select committee that calls science into question will damage New Zealand's reputation in all areas – food production, tourism, international relationships, migration. Especially given positions of UK and US governments that Science is conclusive.

#### **5 - Impact on the New Zealand economy and New Zealand households of any climate change policies,**

##### *CFG audience comments*

Any imposition of costs for on-farm emissions must be fair and appropriate. Appropriate investment and effort must go into developing new systems and technologies to allow reduction/mitigation

#### **6 - Merits of a mitigation or adaptation approach to climate change for New Zealand**

##### *CFG audience comments*

The mechanism and effectiveness of tree planting to mitigate emissions was confused by many. There is a general acceptance that afforestation is a legitimate form of mitigation but there is little understanding of how it works.

##### *CFG general observations*

Both mitigation and adaptation strategies should be considered and judged on merits.

Clear signals of what adaptation might mean (e.g. water management) would be beneficial.

## **7 - New Zealand-specific climate change research**

### *CFG audience comments*

All concerned with lack of immediately applicable technologies.  
Need rapid scientific verification of practitioner endorsed 'on-farm' methods.

Many respondents questioned the exclusion of soil carbon from the ETS. Soil and Pasture carbon, soil remediation techniques, other practices (e.g. no-till) are coming into focus. Clear guidelines on pros and cons would be helpful. Robust, impartial assessment with on-farm case studies would also be helpful

### *CFG general observations*

Soil carbon and Pasture carbon sequestration is a potential hot issue (need to prove science, additionality and local soil type effects, and international acceptance of such offsets)

## **8 - Relative merits of an emissions trading scheme or a tax on carbon or energy**

### *CFG audience comments*

Wish for minimal reporting requirements (cost of compliance).

### *CFG general observations*

Memory of and objection to 'fart' tax is still strong

## **9 - Additional regulatory interventions**

### *CFG audience comments*

Keep regulatory interventions to a minimum.

### *CFG general observations*

Means for incentivisation of planting for on-farm offsets (including riparian planting) needs to be well considered

## **10 - Timing of introduction of any New Zealand measures**

### *CFG audience comments*

Attention to international context is important – New Zealand measures must be fair and proportionate

## 11 - Report to the House accordingly.

### *CFG audience comments*

Labour-led government outputs were too complex, too qualified and too fragile to be acted on in any meaningful way.

### *CFG general observations*

Findings and Reports made public must be unambiguous, especially with respect to;

New Zealand Government Science position

Roadmap for implementation – including clear review points when international decisions come through

## **Additional Comments**

CFG support the view expressed in the National minority report below:

*“National does not believe the agricultural sector can or should be excluded from this Bill, as it is such a large contributor to New Zealand’s emissions. However, the purpose of including any sector in the ETS must be to provide incentives to lower emissions. A scheme that crudely imposes average costs on farmers regardless of their farm management decisions will achieve nothing other than encourage them to reduce stock numbers.*”

*The most important priority for addressing methane emissions is in boosting the research and development effort in respect of these emissions from farm animals. The second priority must be in providing incentives for farmers to reduce nitrous oxide, which accounts for 20% of farm emissions. National wants to work with the agricultural sector to explore options, including the earlier entry of nitrous oxide to the scheme, so as to encourage better use of modern fertiliser technologies that are available and would reduce emissions. There are also strong water quality arguments for advancing this work. “*

What ever is decided needs to be very clearly communicated. Pre-election politics has resulted in significant deleterious noise that is of great concern to farmers – they need to be able to trust the information and take action on law.

Famers interacted with are mostly concerned with immediate ‘what will it cost me?’ questions, and with ‘how stable are regulations?’ – they have long lead time/slow to change processes and need security of a regulatory environment.

## ***Recommendations***

1. Do not go down the path of arguing about the existence of human induced climate change. Rightly or wrongly the sun has set on that argument, it is now about how nations respond.
2. Consider the inclusion of soil carbon for future research and future inclusion in an ETS/carbon tax regime. Incentivise both academic and on-farm research/trialing and experiment, and encourage greater collaboration between academia and practitioner to more rapidly determine best options for New Zealand farms and farmers.
3. Include the agriculture sector into an ETS/carbon tax at a level that is consistent with other comparable countries' schemes.
4. Be up front with costs to farmers with the implementation of an ETS/carbon tax.
5. Provide early, reliable and transparent information to farmers on decisions made to include the sector into an ETS/carbon tax