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Kia Ora Vicky,

Pricing agricultural emissions

1. Thank you for the opportunity to comment on the Government's proposals in its discussion document for pricing agricultural emissions.

2. The Rangitīkei District Council acknowledges the significant collaboration undertaken through establishing the He Waka Eke Noa Partnership in 2019 as well as the legislative deadline faced by the Government from section 215 of the Climate Change Response Act 2002, to publish (by 31 December 2022) a report on an alternative system to put a price on emissions from agricultural activities as an alternative to the New Zealand Emissions Trading Scheme. Council notes that Cabinet, in the paper 'Consultation on Government's proposed pricing system for agricultural emissions' (published on 11 October 2022) has agreed that the discussion document will serve as a draft of that alternative system, with the final report to be prepared and published following consultation, i.e. within six weeks. This implies minor changes only will occur to the Government's proposals.

3. Rangitīkei is a primarily pastoral district with primary production accounting for 32.4% of the District's GDP in 2019/20. Council considers that the Government is disregarding the important contribution that New Zealand's agricultural production, including sheep and beef, makes to world food security, having regard to dislocations to agricultural production being caused by climate change events and war. By contrast, Cabinet focuses on the 'opportunity for Aotearoa New Zealand to build a reputation as a global leader on sustainability' (para 269).

4. We note that Cabinet gave consideration to emissions leakage (paras 178-182), noting that the lowest level of such leakage is assessed at 65%. However, what does not seem to be recognised is that a reduced participation in the global food market may mean that food production from New Zealand's global contributors squeezes New Zealand food producers out of some existing markets.

5. The Council's advice is that the Government's measuring of emissions is not fully in line with the most recent approaches. For example, the targeted reduction of methane of 10% by 2030 is much higher than is needed. The Intergovernmental Panel on Climate Change suggests that methane emissions need to decline by 0.3% per year to 2050 to achieve stable methane induced warming, so a reduction by 10% should be the target for 2050 rather than 2030.

6. Council is extremely concerned about the projected impact on the sheep and beef sector from the proposals. Table 8 of the discussion paper suggests that there will be a decline in production of between 16 and 20% of production of lamb and wool by 2030. However, as explained in Section 4 of the discussion paper (page 60) several mitigation technologies were assumed to be available in 2030. Without these, the projected decrease would be 29%. These technologies are unknown and until verified, the assumption Government must work from is a decrease of 29%. In addition, there is also the effect of the phasing down of the allocation under the processor-level ETS option (noted on page 60 of the discussion paper) driven by the requirements of section 81 of the Climate Change Response Act 2002.

7. For the Rangitīkei District this decline in production will have a massive impact: at the last available count from Stats NZ, 2017, there were approximately 1.25 million sheep being farmed in our District, ten times the number of dairy cattle. We think that scale of change in sheep framing represents a tipping point for our community – not just those living in rural areas, but also the many businesses in towns which service rural areas. We are mindful that, while the dairy herd in Rangitikei is small compared with some other parts of the country, it is still significant once the stock-unit calculation is taken into account: dairy cows are about one million stock units. The projected decline in dairy farming, while lower than for sheep farming, exacerbates the social and economic impacts from reduced sheep farming.

8. We do not support the proposal in the discussion paper that on-farm sequestration should be recognised like other forestry categories in the ETS. This ignores the substantial informal planting of trees done on many sheep farms which on a paddock-by-paddock basis are not always fenced off and will not be of a scale to be accepted into the Emissions Trading Scheme. Dairy farms have taken substantial steps to fence off waterways and riparian plantings. They are a significant source of carbon sequestration and it is only fair that farmers have an opportunity to have that counted. LiDAR technology is already being used in Australia for this purpose: see, for example: https://www.stantec.com/en/ideas/content/blog/2022/measuring-trees-and-tracking-carbon-sequestration-from-the-sky).

9. We are disappointed to see so little attention given to the social and economic impacts of the agricultural emissions pricing proposals. Cabinet acknowledged (para 99) there is a case for some transitional support but noted (par 101) that it lacked

any detail about that need or how it could be delivered. This vagueness is reflected later in the paper.

10. There is acknowledgement in the Cabinet paper (paras 183-187) that reduction in New Zealand's sheep and beef sector impacts disproportionately on Māori because they are estimated to operate up to 25% of the country's sheep and beef farmland and to make up about 28% of the meet processing workforce; however, no specific measures are included other than further engagement with Māori during the public consultation and that 'it is important to work with Māori landowners to understand how we can manage these impacts…' (para. 267)

11. Even more dismissive is Cabinet's view on the impacts on rural communities (paragraph 188)

    Pricing of agricultural; emissions will likely lead to significant change in farming practice in Aotearoa New Zealand. This will present both challenges and opportunities to rural communities:

    > 188.1 Potential challenges could include a change in spending power across rural communities and of quality of life.
    >
    > 188.2 Potential opportunities could include new jobs and retraining opportunities arising from alternative land uses.

12. This ignores the impact on the rating base for rural councils like Rangitīkei. Reduced farming operations will mean that rateable value of such properties will drop, forcing councils to choose between increasing rates on other properties or reducing levels of service. Thus the impact becomes wider than just sheep and beef farms.

13. The Cabinet paper draws heavily on the Regulatory Impact Statement (also published 11 October 2022), but did not include two important observations made in there:

    (para 84)

    > With the considerable uncertainty about the impacts of emissions pricing on agricultural production, and the nature, scale and location of wider impacts, any quantitative assessment of such impacts, including on Māori and rural communities, would be highly speculative….

    (para 92)

    > The impacts will be greatest in areas where farming is a large part of the local economy. The impact may be magnified if job losses occur among people living in remote rural communities, with few alternative employment opportunities (and any new jobs are filled by people from provincial towns and cities).

14. The Council considers it essential that the final proposal gives specific recognition to addressing these two points, i.e. the disproportionate effect on the sheep and beef sector and on rural communities, including Māori living and farming in these areas. In doing so, we note that Cabinet has recognised (para 182.5) that 'the modelling expects that within the agricultural pricing system itself there may be a surplus'. Council supports the views of He Waka Eke Noa as expressed by its Programme Director on 3 November 2022: https://hewakaekenoa.nz/article-more-hard-work-ahead/. In particular, Council agrees with this comment:

> ….the Government's proposal says factors such as socioeconomic impacts would be secondary to ensuring emissions reduction targets are achieved. This is not acceptable to the Partners.

15. Council's 2021-31 Long Term Plan notes 'we value the rural economy and support primary sector productivity' (page 8). This outcome reflects the Council's Economic Development Strategy for 2021-31: the first priority is 'to strengthen and diversity primary sector productivity' (page 4). I mention these Council documents to make it clear that we want to see agricultural productivity improvements encouraged but in ways which are positive for farmers.

16. Our suggestions are as follows:

    a. An in-depth study is undertaken and completed by 31 December 2023 on (say, eight) selected districts (including Rangitīkei) with higher-than-average sheep and beef numbers to document the way such farms currently impact on employment, schooling and business so that the effect of reduced production becomes more evidential than speculative.

    b. Sheep and beef farmers will report their emissions but will be exempt from levy payments for the first two years, i.e. making their first payment from 1 January 2027. To recognise a disproportionate effect on sheep and beef farmers, an outcome of the in-depth study could be to raise the levy threshold (say to 1650+ stock units or three times that proposed in the discussion document) for sheep and beef farmers in districts where sheep and beef numbers comprise substantially more than the average across the country based on the forthcoming results of the July 2022 agricultural census. Continuing that threshold would be included in the projected post-implementation review of the system in 2030.

    c. LiDAR data is recognised as a valid basis for determining trees and shrubs on farms (including riparian strips) for inclusion as carbon sequestration without the need to commit to the formalities of registration under the Emissions Trading Scheme.

17. Our rural communities alongside Federated Farmers are expressing significant concern about the proposal which is likely to change our rural communities forever. They are concerned about the impact on financial viability moving forward, and impacts associated with a transition to carbon forestry. The effects could be lost jobs, decreased social cohesion, and loss of rural schools that are the hubs of these communities. The view from our farming sector is this is the most challenging proposal they have ever seen.

18. I would like the opportunity to speak on this important matter.

Nga mihi

Andy Watson
Mayor of the Rangitikei District