REDUCING AGRICULTURAL EMISSIONS
Reducing Agricultural Emissions

Agriculture is the backbone of New Zealand’s economy, contributing 11 per cent of GDP, 13 per cent of employment and 81 per cent of goods exports. Our farmers are among the most competitive and carbon-efficient food producers in the world, feeding an estimated 40 million people worldwide.

However, on current measures agriculture also produces around half of this country’s greenhouse gas emissions. Finding a sustainable pathway to bringing down agricultural emissions without decimating our most important economic sector is a major long-term challenge for New Zealand.

Calls to downsize agriculture to reduce emissions are neither feasible nor sustainable. Apart from making New Zealanders poorer, shutting down Kiwi farms would simply shift production to less carbon-efficient farms overseas, raising global emissions and making climate change worse.

It’s also extremely short-sighted for New Zealand to rely on converting our most productive agricultural land into forestry – and hollowing out our rural communities – in the name of reducing net emissions.

National believes the solution to agricultural emissions is through technology, not by sacrificing our largest export sector or blanketing agricultural land in pine trees.

Promising biotechnologies like methane inhibitors, animal vaccines, gene edited grasses, and advanced animal feed all have the potential to reduce farm emissions while also delivering a step change in productivity. National is committed to a genuine partnership with the primary sector to meet the climate change challenge. Under National, New Zealand will remain a world-leading agricultural nation and achieve our ambitious commitment to net zero greenhouse gas emissions by 2050.

National’s plan to reduce agricultural emissions

1. Give farmers the tools they need to reduce emissions
   - End the effective ban on GE and GM technologies.
   - Farm-level emissions measurement by 2025.
   - Continued sector-led investment in R&D to reduce on-farm greenhouse gases.
   - Full recognition of on-farm sequestration on a robust, scientific basis.

2. Fair and sustainable pricing of on-farm emissions by 2030
   - Split gas approach to keep agriculture out of the ETS.
   - Prices set to reduce emissions without sending agricultural production overseas.
   - Review methane targets for consistency with no additional warming from agriculture.

3. Limits on farm conversions to forestry on high-quality land from 2024
Agriculture is critical to achieving our climate change goals

National is committed to achieving New Zealand’s ambitious international climate change targets, including the commitment to reach net zero greenhouse gas emissions by 2050.

While Kiwi farmers are already among the most carbon-efficient in the world, agriculture contributes around half of our total emissions (biogenic methane, nitrous oxide, and carbon dioxide), a much larger proportion than most other developed countries.

However, while agriculture produces around half of our emissions, New Zealand’s share of global agricultural emissions is relatively small, at just 0.4 per cent.¹ That means every 34 hours, global agriculture produces the equivalent of a year’s worth of emissions from New Zealand farms.

Agriculture emissions from New Zealand’s major trading partners 2019²

New Zealand’s small share of global emissions is no reason for inaction. Kiwi farmers can and should contribute towards New Zealand’s overall net emissions targets. But sacrificing part of this country’s largest export sector would dramatically affect New Zealanders’ standard of living while making no material difference to global emissions.

Last year, Labour and the Greens revealed they were prepared to see 20 per cent of New Zealand’s sheep and beef farms close by 2030 to reduce emissions. This would be a disastrous outcome for the climate and for rural communities. It makes no sense to shut down some of the world’s most carbon-efficient farms only to send that production to less carbon-efficient farms overseas.

Climate change is a global problem, which means domestic efforts to bring down emissions must not lead to higher emissions in other parts of the world.

¹Based on the GWP100 standard which is not universally accepted as capturing warming effects of methane.
²Source: ourworldindata.org
National’s approach to reducing agricultural emissions

1. **Doing nothing is not an option**: Customers and other countries want to see agricultural emissions reduce and could block our trade if New Zealand does not act.

2. **Partnership**: National will work with farmers and growers, not against them, to reduce agricultural emissions and meet our net zero target by 2050.

3. **No leakage**: New Zealand cannot reduce global emissions by closing farms and sending production to less carbon-efficient farms overseas, making New Zealand poorer and climate change worse.

4. **Tools first, then price**: Reducing agricultural emissions depends on farmers having access to the right technologies and tools which allows a price response, not farm closures or wholesale conversions to forestry. Pricing will begin no later than 2030.

5. **Spilt gases**: Agricultural emissions will remain out of the ETS, with a separate pricing system for biogenic methane from agriculture.

6. **Science-based approach**: Pricing must be based on rigorous, scientific measurement and monitoring of farm-level emissions.

7. **Revenues ringfenced**: Revenues raised from pricing agriculture emissions will remain in the agriculture sector to support R&D and on-farm mitigation.
National will take a pragmatic and sensible approach to bringing down agricultural emissions. Instead of closing farms, National will deliver farmers the tools and technologies they need to cut emissions, implement a sensible pricing system to provide long-term certainty, and limit New Zealand’s over-reliance on farm-to-forest conversions to achieve climate targets.

1. Tools for farmers to reduce emissions

Rather than shrink our highly productive agriculture sector and make New Zealand poorer, National will give farmers the tools and technologies they need to reduce emissions, including access to gene-edited crops, feed, and livestock.

National will remove the effective ban on gene editing (GE) and genetically modified (GM) products in New Zealand and create a biotech regulator to ensure safe and ethical use of these technologies. National will also streamline approvals for trials and use of non-GE/GM biotechnologies, including methane inhibitors.

Ending the ban on GE and GM technologies

National will update regulations to end the effective ban on gene editing (GE) and genetic modification (GM) in New Zealand. The new legislation will allow for greater use of GE and GM while ensuring strong protections for human health and the environment. The regulations will be risk-based and take into account a range of scientific, ethical, social, cultural and economic consequences of research and applications of gene editing or modification.

Establishing a biotech regulator

National will establish a dedicated biotech regulator within the Ministry of Business, Innovation and Employment (MBIE). This independent regulator will oversee the safe and ethical use of biotech in New Zealand. It will regulate all forms of GE and GM organisms in New Zealand, collaborate with relevant government agencies, and have its own independent board.

Streamlining approvals for non-GE/GM biotech trials and use

To accelerate progress towards emissions reduction, National will streamline the approvals process for trials and use of non-GE/GM biotechnologies, with the biotech regulator tasked with reducing delays for the safe introduction of biotechnologies into New Zealand.

The regulator will grant approval for trials or use of non-GE/GM biotech products where these have already been approved by at least two other OECD countries (or the EU and at least one OECD country outside the EU). This change reflects National’s commitment to successful delivery of climate change targets by avoiding unnecessary delays in access to advanced biotechnologies.
2. Fair and sustainable pricing of on-farm emissions by 2030

Pricing agricultural emissions will give farmers the long-term price signal they need to support investment in lowering on-farm emissions over time.

But it is vital that when agricultural emissions pricing begins, farmers have the tools they need to respond. New Zealand could inadvertently worsen climate change if policies end up driving production to less carbon-efficient farms overseas, a process called ‘leakage.’

Without the tools in place to respond to price incentives, a price on agricultural emissions is simply a punitive tax.

National is committed to introducing a price on agricultural emissions in a way that supports successful delivery of climate change targets without harming farm productivity or driving production offshore.

National will introduce an agricultural emissions price at the farm level no later than 2030, with a pricing system based on the following pricing principles:

- No leakage, as sending production to less carbon-efficient farms overseas will make New Zealand poorer while likely increasing global emissions.
- The price must remain in line with our major agricultural competitors and trade partners so as not to damage New Zealand’s international competitiveness.
- The price should be set at the lowest level needed to achieve our emissions reduction targets, subject to no leakage.
- Farmers should have access to the tools and technologies they need to reduce on-farm emissions before an emissions price is introduced.
- Agricultural emissions pricing should operate with minimum compliance costs and give maximum certainty to support investment.

National will establish an independent Agricultural Emissions Pricing Board in our first year in office to implement the pricing system.

The Board will develop processes to accurately measure emissions at the farm level – to be in place in 2025 – and recommend the framework and procedures to set and enforce emissions pricing.

When pricing commences, the Agricultural Emissions Pricing Board will independently set the agricultural emissions price based on the above pricing principles. The Minister of Climate Change and Minister of Agriculture will retain the right to veto the price if it is not in line with the pricing principles.

Revenue from pricing agricultural emissions will be ringfenced for use in agriculture. Funds will be reinvested into sector-led research and development to reduce farm emissions and support on-farm mitigation. National will also continue support for the Centre for Climate Action joint venture with leading agri-business leaders, aimed at developing new tools and technology to reduce on-farm emissions and drive their adoption.
3. Limit farm conversions to carbon farming on high-quality productive land

Since 2017, there has been a significant increase in farm conversions to forestry, particularly sheep and beef farms, to earn Emissions Trading Scheme (ETS) units. In 2021, approximately 50,000 hectares of sheep and beef farms were purchased by forestry interests, compared to only 4,000 hectares in 2017.³

This trend is driven by the rising ETS price, which has more than doubled since 2020. This has made forestry more financially rewarding than farming in many cases. According to Beef and Lamb New Zealand, forestry yields are more than double the per-hectare returns for sheep and beef farms.⁴ The difference in yields can be entirely attributed to the ETS.

While forestry is a recognised means of capturing and storing carbon under the ETS, and an essential part of New Zealand’s fight against climate change, the extremely rapid rate of farm conversions is negatively affecting rural communities and resulting in the loss of valuable agricultural land.

It is short-sighted and unsustainable for New Zealand to rely so heavily on converting productive farmland to forestry to reduce net emissions. New Zealand has large areas of less productive land that can be planted in trees. However, the incentives created by the ETS are making it more profitable for forestry interests to buy up highly accessible farmland first.

To protect productive agricultural land, from 2024 National will introduce limits on newly planted forests on converted farmland from entering the ETS. Limits will be based on Land Use Capability (LUC), a measure of land quality:⁵

- For high-quality LUC 1-5 land, there will be a moratorium on whole-farm conversions to exotic forestry registering for the ETS. The moratorium will last for three years.
- For medium-quality LUC 6 land, National will set an annual limit of 15,000 hectares on whole-farm conversions to exotic forestry registering for the ETS beginning in 2024. The annual limit on LUC 6 land will be reassessed on a three yearly basis.
- For low-quality LUC 7-8 land, no limits will be introduced.

These limits are designed to reduce whole-farm conversions. To encourage farmers to continue to plant trees on any parts of their farmland that is unsuitable for agriculture, up to a quarter of each farm on LUC 1-6 land will be exempted from these limits. This means farmers can plant trees on parts of their own farms where it makes sense, and earn additional revenue via the ETS.

³Orme & Associates (2022), “Land-use change from pastoral farming to large-scale forestry update,” report for Beef + Lamb New Zealand, August, p4. Most farm conversions were on LUC 6-7 land. An estimated annual average rate of 4,700 hectares of LUC 1-5 land was purchased for conversion to forestry between 2020 and 2022.
⁴Source: Beef + Lamb, May 2022. Calculated as the present value of earnings per hectare based on an ETS price of $67 and the Treasury discount rate of 5%.
⁵The Land Use Capability system categorizes land into eight classes according to its long-term capability to sustain one or more productive uses. LUC 1 is the most productive and LUC 8 is the least.
Further details on forest limits:

- This policy has no effect on forests already registered for the ETS or forests planted on land that was not primarily used as farmland prior to conversion to exotic forestry.
- No limits will apply to native trees.
- Limits on exotic trees will apply equally to harvest and permanent forests.
- The LUC rule will be applied consistently within farms. For example, a farm evenly split between LUC 1 and LUC 7 land would be able to register 100 per cent of the LUC 7 land for the ETS and up to 25 per cent of the LUC 1 land.
- National will meet any Treaty settlement obligations regardless of the new limits.

National will also establish a process for landowners to re-evaluate their LUC classification recognising the limitations of the LUC system.

**Additional actions**

**Review methane targets**

National will review methane targets in 2024 for consistency with no additional warming from agriculture, in line with the Zero Carbon Act.

**Expand recognition of sequestration**

National will support full recognition of on-farm carbon sequestration, including all forms of carbon capture and storage alongside trees, provided it is scientifically robust and demonstrated to be additional.

Sequestration will earn New Zealand Units (NZUs) based on standards for each form of sequestration. To encourage immediate investment in all forms of sequestration, National will award backdated NZUs for sequestered carbon from the date of this announcement based on future standards, once developed.

This means farmers, iwi/Māori, and other landowners will be able to earn NZUs from small-scale carbon sequestration such as riparian planting and other forms of carbon capture besides trees, for example by restoring wetlands.

**Timeline**

**First term 2023-2026**

- Farm-to-forest conversion limits from 2024.
- Review of methane targets in 2024.
- Establish the Agricultural Emissions Pricing Board in 2024.
- Farm-level measurement to be in place in 2025.
- Expanded on-farm sequestration recognition.
- New gene technology rules and streamlined biotechnology trials.

**Beyond first term**

- Agricultural emissions pricing no later than 2030.
Key Issues

What is National’s position on He Waka Eke Noa (HWEN)?
National supported the agriculture sector’s proposal for HWEN but the Labour Government rejected it, effectively killing any chance at consensus. National’s policy builds on the framework developed by the primary sector by supporting an emissions price based on pricing principles that include no leakage.

How does National’s policy differ from the Government’s?
The most significant difference is that National has a clear plan for agricultural emissions. We are giving farmers more lead time to prepare and to ensure production is not moved overseas and farms do not close. Our package is technology-led and includes the commitment to no leakage as a bottom line.

What kind of farms are covered by limits on farm-to-forest conversions?
All land that is currently farmed in LUC 1-6.

Why is National open to gene technology on farms?
Because the science has progressed enormously in the last 20 years, other countries are embracing biotechnology, and New Zealand needs technological breakthroughs to deliver on its climate change commitments.

What effect does this policy have on iwi/Māori who own large areas of land not suitable for farming?
This policy targets farm conversions on high quality land by limiting access to the ETS. It does not place limits on production and permanent exotic and native forests planted on land that is not farmed or has no other commercial use besides forestry. Iwi and other owners of land can plant native trees on farmland and register to receive ETS credits without limit under this policy.

Why not an outright ban on farm conversions?
Because National respects property rights and believes that forestry has a role to play in meeting our climate change obligations.

What agricultural emissions will be priced?
Biogenic methane but at a level that does not drive production overseas or put farmers out of business.

Will National put agricultural emissions into the ETS?
No. However, it is important to recognise agriculture is already impacted by the ETS. For example, petrol and diesel for farm vehicles, electricity, and energy used to dry milk all pay the ETS price.