

6 September 2023

Ministry for the Environment - Manatū Mō Te Taiao

Deferral of NZ ETS reporting obligations for animals-farmer activities

Tēnā koe,

OraTaiao: The New Zealand Climate and Health Council strongly opposes the proposed deferral of farm-level agricultural emissions reporting and pricing. We strongly urge that basic farm-level agricultural emissions reporting starts from 1 January 2024 as per the [Climate Change Response Act backstop provision](#) - albeit with a small legislative change to use the definition by He Waka Eke Noa - Primary Sector Climate Action Partnership (26,000 farms covering 96% of agricultural emissions).

Our responses to the Ministry's three consultation questions must be read in the overall context we outline below and OraTaiao's 2030 vision for Aotearoa's transformed food sector and lands. This vision was originally developed for [OraTaiao's earlier November 2022 submission on pricing agricultural emissions](#).

A vision of Aotearoa in 2030

- why we want to price agricultural climate pollution fast, well, and right now.

Our climate was changing – and we did too. Our country grows, finds and farms food that's healthy for us, our global neighbours, and our planet. The mauri and mana of Papatūānuku and Ranginui is honoured. Māori food traditions are healthy and strong, with Māori sovereignty and whenua relationships restored.

We and the world eat whole foods, mostly plants, and not too much. Meat and dairy still have a place – but as special foods for special times. There is no hunger nor food waste nor overconsumption in our country. Food-related ill-health has virtually vanished. Everyone has their nutrition needed for fully active lives. Food banks are no longer needed. Instead there is much local community sharing of home-grown kai, and household food growing, including in urban areas. We are a good global neighbour playing a strong role in reducing world hunger.

We import just a small fraction of what we eat, confident that this imported food hardly harms our climate, and that people are fairly employed. Just as everyone employed in Aotearoa's food production has good stable jobs, with fair conditions and pay.

Our freshwater is safe to drink almost everywhere, and life has almost fully returned to these waters. Farming is regenerative, maximising the health and carbon capture of soils, wetlands, plants and trees. Artificial nitrogenous fertilisers and imported feed supplements such as palm kernel have long gone, along with intensive industrial-style farming. Pressures on farmers have eased, with much healthier work and conditions – including for other farm animals. Production is

much more diverse and suited to local land conditions, creating affordable resilience in the face of the climate changes already committed. The push to rapidly reduce agricultural emissions has seen long-lasting heavy-hitting nitrous oxide disappear here, in association with a significant reduction in reliance on synthetic nitrogen fertiliser use and smaller herd sizes.

As the window for 1.5 °C started to shut fast, the world moved to abrupt methane cuts as a short-lived but powerfully warming gas - pushing a super climate pollutant sprint in the 2020s, while the decarbonisation marathon continued. Now as we enter the 2030s, Aotearoa's methane is a bare fraction of 2022 emissions, and waste methane eliminated. Carbon dioxide, both in rural and urban areas, has also plummeted.

We are relieved that we chose to rapidly reduce emissions here, as buying offshore emissions credits is difficult and costs are soaring as the world races to true net zero in time. Instead, we are able to fund over a billion NZ dollars annually as our fair share of global climate finance, as well as another billion annually for loss and damage, for these countries least responsible for committed climate changes.

Stepping up to really play our part in keeping global heating to the humanly adaptable 1.5 °C has: honoured te Tiriti; meant much better health for everyone; eased health services pressures; created real equity and so many more good jobs around our country; and helped motivate the global climate action we so needed to protect Aotearoa's future.

Overall context for the Ministry's three consultation questions

Firstly, New Zealand simply cannot afford a destabilising global climate, and certainly not triggering tipping points that take global overheating out of any capacity for humans to manage and adapt. The world is too close to the edge - this is a global climate crisis. New Zealand depends on a stable climate and ocean conditions for our exports - and on stable world markets to buy our products and deliver our essential imports.

As New Zealanders can see from Cyclone Gabrielle and the Tāmaki Makaurau/Auckland floods, the costs of global overheating far outweigh the costs of cutting emissions - as world-leading economists have clearly demonstrated previously. New Zealand needs the world to work together to rapidly reduce our climate risk - and stepping up to contribute fairly to the global effort is New Zealand's best chance of securing our future. We can all see the unravelling. The time to step up is now - to create hope, and protect the social contract between generations beyond 2030.

Secondly, the global climate action context is critical for the Ministry's three questions.

This deferral consultation sits within the context of the **highly dynamic climate crisis**. In summary, NZ's current commitment to cut gross domestic emissions is a **mere fraction** of what's needed from us, pressure to cut all gases much faster is highly likely, and NZ simply can't afford to continue subsidising and shielding the agriculture sector from reality. The **easiest path** for the sector is to start reporting and paying for their climate pollution.

- NZ's legislative targets, future emissions budgets and second emissions reduction plan, are all **under review** currently by the NZ's Climate Change Commission.
- Furthermore, there is a [Global Stocktake](#) of global efforts to date due this year, NZ is expected to submit a **more ambitious NDC in 2025 beyond 2030**, and the IPCC in its [March](#)

[2023 Synthesis](#) of the sixth Assessment Report call for ‘**rapid, deep and mostly immediate cuts**’ to climate pollution in all sectors this decade - to have half a chance of limiting global overheating to 1.5 degrees, and two-thirds chance for 2 degrees. Every tenth of a degree matters.

- The world’s expert climate scientists state in their 2023 Synthesis report that there’s a **rapidly closing window of opportunity to secure a liveable and sustainable future for all**. This is the less visible rising climate ‘cost of living’ for New Zealanders.
- Big climate polluters delaying action are **piling up a huge bill in offshore credits for our government to pay in 2030**. The Treasury estimates a bill ranging from \$4 billion to \$24 billion in 2030. Logically, New Zealand must hope for the highest bill of **\$24 billion or more** - because this means that by 2030 that the cheapest emissions reduction options have been taken as the world moves swiftly to reduce climate risks.
- The agriculture sector is effectively responsible for half of this 2030 bill, at around \$12 billion dollars. That’s additional to the financial support that the sector will increasingly need for more frequent and damaging extreme weather events. Yet the total annual tax take from the agricultural sector was calculated as only just over \$3.5 billion for the 2020/21 tax year (net GST, PAYE and income tax on net profits) ([IRD 2021](#)) Yes, the agricultural sector stimulates local jobs - but so would funding more health professionals and increasing support for low income households who are most at risk from climate changes and least able to transition. As NZ’s biggest public health NGO with over a thousand health professional members, OraTaiao is very aware of how stretched our health service is, and the opportunity cost of government funding \$12 billion in offshore credits on behalf of the agricultural sector. Extensive evidence, both within NZ and internationally, conclusively demonstrates that investing in well-designed climate action that promotes health, pays a double dividend of both health gains and avoided health harms from climate change. In other words, instead of continuing to fully subsidise the agricultural sector, increasingly exposing the agricultural sector to the full costs of their climate pollution frees up funding much more effectively invested in better health for New Zealanders. This also helps drop the demand on our overstretched health sector.
- Insurance bills, repair costs and food prices (from crop losses and road washouts) are all going up. It’s time for direct government support to low income households - not protecting big climate polluters (especially agriculture as our biggest more dangerous polluter) and paying other countries to make up for our inaction.
- **Delays in agricultural pricing have been a massive 100% subsidy to an industry fundamentally endangering human health** - both immediately in terms of healthy nutrition, and over the longer term by destabilising the global climate. *‘While some in the agricultural sector argue that environmental regulation hurts the industry and therefore the rest of the country, there is a clear counterproposal: harm is done to the country when the rest of society pays for the damage created in the agricultural sector.’* ([Joy, Marriott & Chapple 2022](#))
- OraTaiao also contends that there is a **strong international equity case for NZ reducing our domestic gross emissions at a much faster rate**. NZ has signed up to halving our net climate pollution by 2030, which is an ‘average’ effort. Yet NZ is relatively wealthy, has polluted the most (per person) since 1850 ([cumulative per capita emissions 1850-2021](#)) by burning most of our native forests, and we still pollute per person much more than the global average. For global fairness, NZ must move to cut our gross domestic emissions much faster, moving to neutral then negative emissions much closer to 2030 than 2050 ([Metcalf 2015](#), [Civil Society](#)

[Equity Review Coalition, Background to the NZCPHM's stance on setting national GHG emissions targets](#)).

- The NZ ETS, as the government's number one climate tool, is not even delivering on NZ's very weak promise to effectively cut gross domestic emissions by around 7% (a small fraction of our fair effort). NZ is an outlier in [depending on offshore credits to meet two-thirds](#) of our promised NDC emissions reductions by 2030 (having the highest offshore credits ratio in OECD).
- The NZ government must use precision pricing tools across **all gases and all sectors** now to drive the speed and size of emissions reductions needed within Aotearoa to contribute enough to limiting global overheating within 1.5 degrees.
- All of NZ's big climate polluters including agriculture, must **pay the full price of their climate pollution before 2030** - and those farms responsible for almost all of our agricultural emissions, must start reporting on these emissions from early 2024 so that pricing starts from 2025 with a fast phase up to full price before 2030.
- This global climate crisis demands **a sprint and a marathon**. The sprint needed right now to limit global overheating to 1.5 degrees (and every tenth of a degree overshoot counts). The marathon means continuing to cut emissions from production and consumption, so that within a couple of decades more greenhouse gases are being removed from the thick blanket of carbon pollution overheating our world than emitted. This means negative emissions. The sooner agricultural pricing starts - and farmers believe that they must quickly cut emissions - the better our chances of thriving/surviving. Expecting everyone else to cut emissions, means the **agricultural sector is even less prepared** for the demanding years and decades ahead.

NZ has to step up massively to play our part as a global citizen. **Every tenth of a degree matters**, and there'll be **many more important calls on government funds**, globally and domestically.

The Ministry's three consultation questions

- 1. Do you agree with the proposal to defer obligations for animals-farmer activities from 1 January 2024 to 1 January 2026 under the ETS?**

OraTaiao strongly disagrees with the proposed 2-year deferral of animals-farmer activities under the ETS to 1 January 2026.

The legislative backstop for beginning registration by animal-farmers and monitoring of emissions from 1 January 2024 was expressly designed to end deferrals like this. Extending this deadline undermines the whole co-agreed process of pricing agricultural emissions.

Given over twenty years of delay by both agriculture industry representatives and governments, OraTaiao has no confidence that any further proposed date will be recognised by either industry or government. This backstop is the specific, agreed and absolute bottom line that must not be crossed.

Deep cuts in our short- and long-term agricultural emissions are essential to meet our domestic and international obligations. The front-loaded and potent effects of methane emissions mean that urgent cuts are needed in order to avoid crossing irreversible climate tipping-points.

If not, what alternative options should be explored?

Firstly, the government must work with Iwi/Māori to ensure that the value of Tiriti settlements is enhanced, not diminished. Honouring te Tiriti o Waitangi means a separate relationship with Iwi/Māori landowners, and acknowledging that this climate crisis is yet another symptom of colonisation, that the mauri and mana of Papatūānuku and Ranginui was not honoured by colonisers.

Secondly, pricing agricultural emissions is not news for the agricultural sector. The 'Fart Tax' protests were around twenty years ago. This backstop provision has been clearly waiting in legislation for a long time. The He Waka Eke Noa Partnership began years ago in 2019.

The Climate Change Commission reported over a year ago ([June 2022](#)), that: *'the steps that have been taken are enough to keep the sector on track for a basic farm-level pricing system in 2025'*. To further quote the Commission: *'A detailed farm-level pricing system outside the NZ ETS is the best approach to pricing agricultural emissions in the long term.'* and *'However, the sector would not be ready for a detailed system by 2025, and it is important that pricing agricultural emissions is not delayed. Any delay will make it less likely that Aotearoa New Zealand will meet its climate targets. In the interim, **a basic farm-level system** using elements of the He Waka Eke Noa proposal as a stepping stone will provide a path to progress towards a more mature, responsive and effective system.'*

Instead of increasingly dangerous deferral, OraTaiao strongly recommends **amending the definition in the Climate Change Response Act to using the definition established by the He Waka Eke Noa Partnership, which means an estimated 23,000 farms covering 96% of emissions**. This reduces ETS farm-level coverage to **less than a quarter** of the 100,000 farms that the Ministry is concerned will not be ready in time and/or the costs of calculating emissions will exceed the costs of their emissions. This also radically reduces Government administrative costs. Yet 96% of agricultural emissions will be priced at basic farm-level - which is an excellent outcome at last.

We note that the He Waka Eke Noa reported back on [31 May 2022](#), that: *'Farmers and growers are using the tools and guidance provided through the He Waka Eke Noa framework, with 61% knowing their numbers (i.e., calculating their emissions at farm level) and 21% having a written plan (i.e., recording actions to reduce or offset emissions in their farm plan) by the end of 2021. The Partnership is working towards 100% of farmers knowing their numbers by 31 December 2022, and 100% of farmers having a written plan by 1 January 2025. This level of knowledge of on-farm emissions is world-leading.'*

OraTaiao agrees with the Commission that farm-level pricing must be basic at this stage, moving to a detailed system later. We also agree with the Commission that sequestration should be excluded as too complex, and as we have explained in our previous ETS submission, emissions cuts and sequestration/removals are not interchangeable as apples and apples. This is because of the frightening longevity of greenhouse gases in our atmosphere, contrasted with the relatively temporary forestry, even indigenous forests. Forests are also increasingly threatened by wildfires, slips and flooding as our climate changes. Rather sequestration/removals must be a separate project co-governed by Crown and Iwi/Māori. This removes complexity from farm-level entry into the ETS on 1 January 2024.

OraTaiao also supports the Commission's 2022 agricultural pricing report recommendation: *'Price synthetic nitrogen fertiliser emissions at the manufacturer and importer level in the NZ ETS as soon as practicable, instead of within a farm-level pricing system.'* As we stated in our previous ETS

submission, the three gases must be treated separately as apples, oranges and pears, differing significantly in their longevity, potency, and role in our climate crisis response. Not traded together.

Lastly, we reiterate this is the global climate crisis - threatening every aspect of NZ's future. As our context outlines, NZ has committed to a mere fraction of effort, we can expect much more pressure to act faster over the next few years. Agriculture has to be ready.

During the COVID-19 pandemic, we saw how quickly the government can move in a crisis, including passing necessary legislation and implementing large changes. This global climate crisis is even bigger than the COVID-19 pandemic - as a much larger threat (and opportunity) for human health and our economy. The government can scale up the staffing and funding needed for basic farm-level reporting from 1 January 2024 and ensure the publicity needed - we can't afford not to. NZ is well-placed to rapidly cut gross domestic emissions compared to many other nations - if we don't act fairly, we can't expect any other nation to protect our future for us.

2. Do you think the deferral will have a significant impact on our path to reducing agricultural emissions?

Absolutely, yes.

Why?

Deferral damages planetary and human health, and our chances to ensure fair transitions. The consultation document states on page 11: "We have not modelled the emission impacts of delaying the backstop." Yet this is the whole point of agricultural emissions pricing - to drive fast emissions cuts at the scale and speed we need.

The climate crisis challenge is to slow, then stop, then remove the flow of dangerous gases thickening the blanket of climate pollution overheating our world. Just like the human body, our planet has a very limited average temperature range where climate conditions are stable and we humans can thrive. Every tenth of a degree of overheating increases risks of tipping points and irrevocable harm.

In other words, **the sooner emissions drop, the better**. This is the opposite of the usual incremental changes in a policy situation. Mega-tonnes of carbon dioxide, methane and nitrous oxide emissions eliminated by the agriculture sector in 2024/25, are **much more valuable** in stabilising our climate, than the same volume of emissions eliminated two or more years later.

Emissions are dangerously cumulative - at the extreme, carbon dioxide takes 10,000 years to fully leave our atmosphere. Similarly, nitrous oxide lasts a very long time too, and is even more powerful than carbon dioxide. And methane is now being seen as an important lever to quickly cut now as a very powerful gas, despite a shorter atmospheric life.

New Zealanders have seen the increasing impacts of climate-related weather events on our rural and farming communities. Government grants and funding was entirely appropriately made available to the farming sector to support the sector's recovery. But this government support must come with the obligation on the sector to rapidly reduce their emissions which contribute half of New Zealand's climate destabilising pollution. Agriculture must not be given special treatment over other NZ industries. We face a global climate health crisis - time for each of us to step up, every gas and every sector.

3. What impact do you consider there would be on compliance and administrative costs as a result of animals-farmers participating in the NZ ETS? Why?

Compliance and administrative costs as a result of farmers-animals participating in the NZ ETS are far surpassed by the savings and benefits to be achieved in mitigating climate change and improving health and equity. Evidence (as cited above) from the [He Waka Eke Noa May 2022 report](#) shows that many farmers are already measuring their farm emissions, and some already have farm plans to cut these.

As reiterated in [a report published on 29 August](#) by OraTaiao's parent body, the Global Climate and Health Alliance: *'Changes to dietary guidelines that increase access to healthy, nutritional, plant-rich, and low-emission diets must be pursued, for high-income groups to improve health while reducing disproportionate emissions, and for low-income and climate-vulnerable groups to increase food security and food sovereignty. Fortunately, most solutions for methane reduction are simple and cost-effective and can result in land conservation benefits, emissions reductions, and improved health outcomes.'* Inclusion of animals-farmers in the NZ ETS will support such solutions.

Finally, we recognise that the failure of both government and agricultural industry representatives to address agricultural emissions serves individual farmers extremely poorly. This failure removes individual farmers' agency to properly contribute to solutions, misses an enormous opportunity to position NZ agricultural exports as world-leading sustainable protein production, and exposes farmers to increasing international pressures as multinational companies seek to reduce their scope 3 emissions.

A handwritten signature in black ink, appearing to read 'COFFEY', with a stylized, looping flourish above it.

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About OraTaiao OraTaiao: The New Zealand Climate and Health Council represents over one thousand individual health workers and students and twenty health organisational members. We call for urgent, fair, and Tiriti-based climate action in Aotearoa; we recognise the important co-benefits to health, well-being and fairness from strong and well-designed mitigative policies. Our vision is Āhuarangi Ora, Tangata Ora, 'Healthy Climate, Healthy People'.