

5 September 2023

Ministry for the Environment

Consultation: Deferral of NZ ETS reporting obligations for animals–farmer activities

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DairyNZ Submission on the deferral of NZ ETS reporting obligations for animals – farmer activities.

Introduction

DairyNZ submits on the deferral of NZ Emissions Trading Scheme (NZ ETS) reporting obligations for 'animal–farmer activities.

DairyNZ is the industry-good organisation representing all 11,000 of New Zealand's dairy farmers. We seek to progress a positive future for New Zealand dairy farming through enhanced sustainability, profitability, and competitiveness. The dairy sector employs 50,000 people, generates \$25b in export earnings, and comprises one-third of all goods revenue. DairyNZ is committed to dairy farming playing its part in transitioning to a low-emissions economy alongside the rest of New Zealand. We have active programmes to support farmers as they transition to lower greenhouse gas emissions and build their resilience to a changing climate.

Executive summary

DairyNZ supports the deferral of farm-level obligations for the NZ ETS reporting. Deferral would allow the sector and Government to continue working in partnership to create an equitable and workable system for managing agricultural emissions.

Fundamentally, DairyNZ does not support agricultural emissions entering into the NZ ETS. The NZ ETS is neither appropriate nor sensible for farmers, rural economies, or the New Zealand economy. Significant modelling undertaken through the He Waka Eke Noa (HWEN) Partnership and the government's own work programmes, as highlighted in the consultation document, have shown the detrimental impact of pricing agricultural emissions through the NZ ETS.

With the Government releasing its 'final plan'¹ last month to measure and price agricultural emissions, we believe farm-level entry into the ETS should be removed from legislation, not deferred. As outlined, the NZ ETS is unsuitable for agricultural emissions practically, scientifically, and economically.

¹ See [New emissions reduction plan will future-proof NZ's largest export sector | Beehive.govt.nz](#)

DairyNZ is also concerned that throughout the consultation document, there are numerous references to the processor-level backstop. We are opposed to the pricing of agricultural emissions both at a farm level and processor level through the NZ ETS.

Q1. Do you agree with the proposal to defer obligations for animals–farmer activities from 1 January 2024 to 1 January 2026 under the NZ ETS?

Yes, DairyNZ agrees with the proposal to defer these obligations.

Q2. Do you think the deferral will have a significant impact on our path to reducing agricultural emissions?

No, this will not have a significant impact. First, the latest information from the New Zealand Greenhouse Gas inventory has shown that between 2020 and 2021, agricultural emissions have decreased by 1.5 per cent, and dairy cattle emissions have decreased by 1.3 per cent, with a fall in the dairy cattle population.² Secondly, the agricultural sector is already responding to consumer demand for emissions reductions, this will likely lead to continued emissions reductions.

Currently, farmers, government agencies and organisations, along with sector bodies, are working hard to find solutions for the sector. These programmes will lead to practical ways for farmers to reduce their emissions. These programmes and systems will continue without ETS pricing and, in fact, would be impeded by ETS pricing, with farmers having reduced income to uptake new technologies and solutions.

NZ ETS does not take into account the nationally legislated split gas approach to New Zealand's emissions. The inability of the system to account for this would result in unjust and inequitable costs being placed on the agricultural sector and the wider economy. The latest science on warming highlights the fact that biogenic methane (71 per cent of agricultural emissions)³ is distinct from the rest of the economy's emissions and does not have to be reduced to net zero to achieve no additional warming. This means it is incompatible with the NZ ETS, which, as a mechanism, is geared towards reducing greenhouse gas emissions to net zero by 2050.

Q3. What impact do you consider there would be on compliance and administrative costs as a result of animal–farmers participating in the NZ ETS?

The administrative and cost burden faced by agricultural producers of farm-level NZ ETS obligations would be prohibitive. The NZ ETS, by nature, is a complex mechanism, and compliance costs would be high.

A lack of farmer understanding of the NZ ETS would also serve as a significant barrier, alongside the administrative burden and pressure on crown agencies to process the estimated 100,000 applications.

² [New-Zealands-Greenhouse-Gas-Inventory-1990-2021-Chapters-1-15.pdf \(environment.govt.nz\)](#)

³ [The science of methane | New Zealand Agricultural Greenhouse Gas Research Centre \(nzagrc.org.nz\)](#)

Placing the agricultural sector into the NZ ETS would have significant consequences, both in terms of farm-level profitability and long-term investment decisions, along with farmer mental health and overall sector viability.

Nāku iti noa, nā



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DairyNZ