

He Waka Eke Noa Emissions Pricing System Options Feedback

From the New Zealand Deer Farmers Association, 14 March 2020.

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The New Zealand Deer Farmers Association (NZDFA) is a voluntary subscription based Incorporated Society (established in 1975) and is a membership organisation representing the interests of New Zealand deer farmers, families and staff. The NZDFA has approximately 1200 subscription paying members, estimated to cover 75-80 % of all deer farmers in the country. It is nationally represented by a four-person Executive Committee that works closely with Deer Industry New Zealand directly via the Environmental Stewardship Manager and the Producer Manager and liaises with the 16 NZDFA branches spread from Northland to Southland.

The feedback provided is based on the feedback questions on the He Waka Eke Noa survey web page: <https://www.surveymonkey.com/r/HWENfeedback>

Top ~~three~~ four trade-offs in developing an emissions pricing system.

- Reduces the amount of emissions that farming generates
- Recognises sequestration from existing and new on-farm vegetation
- Clear and simple system, with low administration costs**
- Scientifically robust and transparent process that aligns with mātauranga Māori
- Any revenue raised is recycled back to the agricultural sector
- Recognises early adopters**
- Recognises on-farm actions that reduce emissions**
- Ensures the sector remains profitable and internationally competitive**

NZDFA agrees with all the listed features above but in particular sees the highlighted *four* features as the top priorities.

In addition, NZDFA considers that any pricing system should achieve the following outcomes (some of which will be heavily influenced by the price of emissions and sequestration within the system):

- *Lowering the risk of large-scale afforestation at the expense of farmland* – the NZETS already creates this risk, HWEN should not increase this risk. To this end NZDFA considers that the price of emissions and sequestration should be independent of the NZETS price (that is linked to fossil fuels) for CO₂-e
- *Farmer well-being* – farmers have a sense of control and real options rather than face another tax with no available practical mitigations or end point.
- *Responsibility for managing emissions lies with individual farmers* – all farm systems participate.

NZDFA supports methane being calculated and priced separately to long-lived gases (carbon dioxide and nitrous oxide)

The differing impacts of long-lived (stock) and short-lived (flow) gases are now well established. Given that methane emissions from farmed ruminants in New Zealand have not significantly changed for many years, and in particular deer emissions have dropped since 2004, it would be unfair and discriminatory for methane emissions to be priced the same as long-lived gases.

Recognising carbon sequestration on-farm

- ✓ Non-ETS eligible woody vegetation is recognised.
- ✗ 2008 baseline – should allow farmers to claim any eligible woody vegetation but subject to independent verification at the farmer's cost.

Farm-level Levy

- ✓ Has the *potential* to align with wider (environmental) sector and government objectives and activities.
- ✓ Has the *potential* to be equitable if it can recognise early adopters
- ✗ Setting up a bespoke reporting and revenue gathering system at high cost. *The existing IRD systems should be examined.*

Processor-level Hybrid Levy

- ✗ Does not recognise early adopters or farmers operating at optimal levels of sustainability except via cumbersome and costly contracts for rebates.
- ✗ Does not directly cover all farms – only those that produce venison (and potentially velvet).
- ✗ Contracts for rebates will not encourage farmers to plant more woody vegetation compared with being able to net-off sequestration at the farm-level

Transition approach

- ✘ Unnecessary and costly as it requires establishment costs for two systems and might not offer as much saving once administration of complex EMCs is included.
- ✘ This has all the weaknesses of the processor-level approach to begin with.
- ✘ Farmers will have to learn two systems to tackle the same issue, but there will be no certain time frame for a change to farm-level (depending on how long it takes to get a farm-level system operational).

NZDFA prefers a Farm-level Levy pricing system

However the currently proposed farm-levy levy pricing system has a number of weaknesses. Further, modelling of either options under NZ ETS prices for four deer farms has shown that unless the farm has substantial tree plantings (one farm had almost 20 % of the land in trees), the viability of deer farming would be seriously undermined ([Bately and van Reenen, 2022¹](#)).

The NZDFA Executive Committee on behalf of deer farmers has been working with a group of similarly minded sheep and beef farmers to further develop the farm-level levy so that it is a workable and fair approach for farms to report and pay for greenhouse gas emissions, receive recognition for carbon stored on-farm and remain as viable and profitable businesses producing high quality food from the land. This approach has been called “Option 1 Amendments” or “Option 1 Transformed”.

NZDFA supports Option 1 Amendments as proposed by R. Burke, R. Dalrymple, B. Ensor, G. Gleeson, S. Hales, M. McCoard, K. Middelberg, J. Somerville, J. Stevens, K Worsnop

Details are available here: <https://www.abetteroption.org.nz/>

The NZDFA Executive Committee members have consulted with a wide range of deer farmers and non-deer farmers and have received widespread support for this approach.

In addition to the listed features and expected outcomes above, this approach will also enable:

- Setting of clear achievable targets (we can claim to be warming neutral by 2030).
- Use of stepped pricing of emissions on a per hectare basis to reward positive change (the progressive pricing recognises the increasing number of mitigation options available in more intensive farming operations).
- Reporting through IRD (compliance is affordable and simple).

¹ Case Studies Revisited. <https://deernz.org/assets/Deer-Hub/Farm-and-environment/DINZ-GHG-Deer-Case-Study-Review-Final-Report-with-Exec-Summary.pdf>