

Government taking action on agricultural emissions

The Government has released details of its proposals for lowering agricultural emissions and is now seeking your feedback.

Reducing agricultural emissions is a key part of the Government's plans to transition to a low-emission economy and achieve its 2050 targets in the Zero Carbon Bill. You can read our previous summary of the Zero Carbon Bill [here](#).

The Government's consultation document is informed by the Interim Climate Change Commission's (ICCC's) recommendations for reducing agricultural emissions, as well as engagement with the agricultural sector. The ICCC ultimately concluded that the best way to motivate farmers to reduce emissions is to put a price on them.

When it released its consultation document, the Government announced that it has reached a consensus with farming leaders to price emissions from livestock at the farm level from 2025. Pricing emissions at the farm level (rather than the processor level) will give farmers greater control over how they manage emissions on their property, but results in a much more complex scheme, and it will take time and collaboration to develop the tools and systems required to implement it (which is reason for the 2025 start date).

In the meantime, the Government is looking to introduce an interim measure to incentivise farmers to reduce emissions now, and will provide farmers with a 95% free allocation on their emissions to help them transition. The ICCC recommended including agricultural emissions in the ETS now, as it would not only send a clear signal to factor in an emissions price into investment decisions, but it would also generate funds that could be used to support farmers as they transition. At the current price of around \$25 per tonne, and with a 95% free allocation of units, the Government expects that this will cost farmers on average \$0.01 per kg of milk solids, \$0.01 cent per kg of beef, \$0.04 per kg of venison and \$0.03 per kg of sheep meat.

The Government is now seeking public feedback on its proposals, including:

From 2025: Farmers pay for their livestock emissions

- Farmers report and pay for their livestock emissions, while credits may be earned if emissions were negative.
- Intended to incentivise reductions to on-farm emissions and to recognise a wide range of mitigation practices that farmers could use.
- The ICCC recommended a levy/rebate scheme, as it would avoid the need for farmers to trade units and therefore simpler and less costly. This is not discussed in the consultation document, which suggests that the Government is still considering this proposal.
- The level of free allocation that would apply from 2025 is not clear. The ICCC calls this out as one aspect of the policy design work that needs to happen between now and 2025. The commitment to provide a 95% free allocation is only talked for Option 1 between now and 2025, so it remains to be seen whether this will continue to apply from 2025¹.

From 2025: Processors pay for fertiliser emissions

- Manufacturers and importers of fertiliser report and pay for fertiliser emissions.
- Because the only way (currently) to reduce fertiliser emissions is to use less of it, the incentive to use less is the same regardless of whether emissions are priced at the farm level or at the manufacturer/importer level (with costs passed on to farmers).

From now until 2025 (Option 1): Processors pay for both livestock and fertiliser emissions via the ETS

- Dairy and meat processors, and manufacturers/importers of fertiliser, report and pay for emissions from 2021 (with livestock emissions moving to farmers from 2025).
- Government to provide a 95% free allocation of emissions units (based on a combination of farm output and inherent land productivity).

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- The ICCC estimated that, with a 95% free allocation, at least \$47 million would be raised each year from emissions pricing, which would be used to support farmers with the transition¹.
- This option treats all farmers who supply processors the same, and does not recognise each farmer's individual emissions footprint.

From now until 2025 (Option 2): A formal sector-government agreement

- An alternative to Option 1 put forward by the agricultural sector.
- A programme of action to support emissions reductions (including a roll out of Farm Environment Plans that address emissions reductions), funded through existing government funding, farmer levies and commercial funding.
- A commitment to work with the Government to design a pricing mechanism by 2025, which is part of a broader framework that supports farmers to make practical changes on the ground and contributes to lower global emissions.

Farmers should expect costs associated with paying for their emissions, implementing mitigation practices to reduce their emissions, and calculating and reporting their emissions. Processors are also expected to pass on most of their costs to farmers, but may struggle to do so in offshore markets that don't price agricultural emissions given the competitive nature of those markets.

The consultation recognises that there may be other opportunities to support on-farm emissions reductions or carbon sequestration (beyond on-farm forestry). It also recognises that there are further decisions that need to be made and is keen for public feedback.

The deadline for submissions is 13 August and public information sessions are being held around the country from 22 July to 7 August.

Click [here](#) for a copy of the consultation document, information about how to make a submission and to find the schedule for the public information sessions.

¹ If a 95% free allocation raises \$47m, then a 0% free allocation (i.e. farmers pay 100% of the price of their emissions) would raise \$940 m.

Want to know more?

If you would like to discuss the Government's proposals for agricultural emissions, please contact [David Goodman](#) or [Josh Williams](#).