



RUAPEHU DISTRICT COUNCIL

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To: Pricing Agricultural Emissions Consultation
Ministry for the Environment
PO Box 10362
Wellington 6143

Subject: Pricing Agricultural Emissions

Submission from: Ruapehu District Council
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Council does wish to speak in support of its submission.

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Ruapehu District Council (RDC) thanks the Ministry for the Environment for the opportunity to submit on the proposed agricultural emissions pricing system.

The Ruapehu District (the District) covers an area of approximately 6,734km². It is one of Aotearoa New Zealand's largest districts by land area, yet we have one of the smallest permanent population counts of approximately 12,948, made up of many small, diverse, and geographically spread-out rural communities, who rely heavily on the agricultural industry for their survival.

As of June 2022, the District has a Deprivation Index Level of 9 (1 represents the least deprived areas, 10 the most). The District's national deprivation ranking is 7 of 68 (a rank of 1 represents the district with the highest level of deprivation). The agricultural industry is the biggest employer in the District. RDC and its rural communities are extremely concerned about the negative socio-economic impacts that an agricultural emissions pricing system will have on the rural communities that make up the District. RDC does not support the proposed agricultural emissions pricing system, in its current form.

Question 1: Do you think modifications are required to the proposed farm-level levy system to ensure it delivers sufficient reductions in gross emissions from the agriculture sector? Please explain.

RDC does not wish to comment on this question.

Question 2: Are tradeable methane quotas an option the Government should consider further in the future? Why?

RDC does not wish to comment on this question.

Question 3: Which option do you prefer for pricing agricultural emissions by 2025 and why?
(a) A farm-level levy system including fertiliser?
(b) A farm-level levy system and fertiliser in the New Zealand Emissions Trading Scheme (NZ ETS)
(c) A processor-level NZ ETS?

Option (a). A farm-level pricing system including fertiliser gives farmers control and autonomy over their farm business and emissions profile and any on farm actions to reduce emissions.

Question 4: Do you support the proposed approach for reporting of emissions? Why, and what improvements should be considered?

RDC does not wish to comment on this question.

Question 5: Do you support the proposed approach to setting levy prices? Why, and what improvements should be considered?

No. RDC do not support the setting of levy pricing solely on the country's overall progress towards emissions reductions targets. Socio-economic impacts should be factored into the setting of the levy prices. Other issues such as the availability of emissions mitigation technology should also be considered when setting the levy prices.

RDC also supports the view of the agricultural sector, that they should have input into the setting of methane and nitrous oxide prices by being appointed to an independent panel.



Question 6: Do you support the proposed approach to revenue recycling? Why, and what improvements should be considered?

Yes. RDC supports the proposed approach that revenue generated be used to cover administrative costs, to fund incentive and sequestration payments, research into new mitigation technologies and emissions reduction programs. The system should pay for itself, but it is important that farmers are not charged more than is necessary. It is also important that the agricultural sector has a say in how the revenue is used.

Question 7: Do you support the proposed approach for incentive payments to encourage additional emissions reductions? Why, and what improvements should be considered?

No. RDC supports the use of incentive payments to encourage the uptake of mitigation practices, however there are issues with the proposed approach. It is important that farmers are encouraged to reduce emissions and incentive payments could be an effective way of achieving that, however the Consultation Document lacks detail in this area.

RDC shares the concerns of the agricultural sector around the proposed approach's recognised mitigation practices not being available for farmers by 2025. This means that farmers will be unable to take advantage of incentive payments until those mitigation practices become available. The recognised mitigation practices also need to be economically viable for farmers.

Question 8: Do you support the proposed approach for recognising carbon sequestration from riparian plantings and management of indigenous vegetation, both in the short and long term? Why, and what improvements should be considered?

No. The list of recognised sequestration should be expanded. Farmers should be recognised for the sequestration happening on their farms. The current proposed approach is limited and does not fully recognise that.

Question 9: Do you support the introduction of an interim processor-level levy in 2025 if the farm-level system is not ready? If not, what alternative would you propose to ensure agricultural emissions pricing starts in 2025?

No. The implementation of an interim processor-level levy would result in farmers losing control and autonomy over their farm business and emissions profile. Any on farm actions to reduce emissions would not be recognised by a processor-level levy. To avoid uncertainty for farmers, the farm-level levy should start in 2025, or the start date should be deferred.

Question 10: Do you think the proposed systems for pricing agricultural emissions is equitable, both within the agriculture sector, and across other sectors, and across New Zealand generally? Why and what changes to the system would be required to make it equitable?

No. The proposed system is not equitable, RDC is concerned about the socio-economic flow on effects it will have for the District. The effects of this system will be disproportionately felt by the District and its rural communities. The agricultural industry is the biggest employer in our District, and we have one of the lowest deprivation scores in the country. The farming community are great supporters of the District's local businesses and economies; however, their ability to continue to provide that support will be limited by the reduction in income and spending caused by the levy.



To make the system more equitable, targeted transitional Government support, including financial support, will need to be made available for Districts such as ours to alleviate the disproportionate negative impacts of an emissions pricing system.

Additional matters to consider regarding equitability, are that Aotearoa New Zealand is a small contributor to the global rate of greenhouse gas emissions, yet we will be required to comply with an emissions pricing system that threatens our ability, both locally and nationally, to support our own country's food production and economy. Emissions leakage is also an issue that needs to be considered, as the resulting reduction of production on farm is likely to result in more food being produced offshore (with higher methane output due to the different farming methods used), and additional greenhouse gasses created to transport this food to Aotearoa New Zealand. There will also be a loss of income nationally due to less meat and dairy products being available for export.

Question 11: In principle, do you think the agricultural sector should pay for any shortfall in its emissions reductions? If so, do you think using levy revenue would be an appropriate mechanism for this?

No. Using levy revenue to pay for any shortfall in emissions reductions will result in there being less funds available for the agricultural sector to use for research into new mitigation technologies and emissions reduction programs. Levy revenue should be used to support of the agricultural sector in reducing emissions, not to fund additional domestic or international credits to offset emissions. The agriculture sector should be empowered to drive change through their on-farm activities and understanding of climate change moving forward, and utilising levy revenue to achieve this should be a priority.

Question 12: What impacts or implications do you foresee as a result of each of the Government's proposals in the short and long term?

RDC is concerned about the negative socio-economic impacts and implications an emissions pricing system will have on the District. Reducing production and/or changing the land use of farms from livestock farms to other land uses, in the short term, will be the main ways for the agricultural sector to meet its emission reduction targets. The District is already suffering as significant land use changes take place with whole productive farms being converted to forestry plantations. The agricultural industry is the biggest employer in the District. Residents have already begun to relocate as there is no longer the industry or market to support their choice of employment, due to the conversions of whole farms into forestry plantations. These are often younger families, and this is impacting education at all levels throughout the District. We cannot afford to lose more families from the District.

The two main ways for the agricultural sector to meet its emission reduction targets will result in a double blow to the District, and the impacts will be far reaching. Not only are productive farms being lost to forestry plantations, but the remaining farmers will be required to comply with the costs of the emissions pricing system and reduce their stock numbers. This will obviously result in a reduction of income and a reduction of spending in the District. The increased stress and mental health issues that will also occur are something that the District's severely under resourced health care system will likely be unable to effectively deal with.

Page 66 of the Consultation Document itself outlines the issues we are likely to face in the District:

Potential socioeconomic effects include, but are not limited to:

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- *a significant change in spending across rural communities*
- *reduction in jobs or hours worked*
- *further de-population and accompanying decline in community services*
- *reduction in quality of living*
- *increased stress and mental health issues.*

RDC is unable to support the introduction of a system that will disproportionately negatively impact the District in those ways. The Government needs to offer targeted transitional support, including financial support, to alleviate the disproportionate impacts of an emissions pricing system on Districts such as ours.

Question 13: What steps should the Crown be taking to protect relevant iwi and Māori interests, in line with Te Tiriti o Waitangi? How should the Crown support Māori land owners, farmers and growers in a pricing system?

The Crown appears to have taken a well-researched and genuine partnership approach to the protection of relevant iwi and Māori interests in relation to the introduction of an emissions pricing system, in line with their obligations under Te Tiriti o Waitangi.

RDC supports the potential options the Government has already identified to alleviate the disproportionate impacts of an emissions pricing system on Māori.

Question 14: Do you support the proposed approach for verification, compliance and enforcement? Why, and what improvements should be considered?

RDC does not wish to comment on this question.

Question 15: Do you have any other priority issues that you would like to share on the Government's proposals for addressing agricultural emissions?

No. We have covered the issues above.

