IrrigationNZ Submission on Government Consultation Document on Pricing Agricultural Emissions

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About IrrigationNZ

IrrigationNZ is a growing membership organisation that represents over 3,500 members nationally, including irrigation schemes, individual irrigators, and the irrigation service and support sector. Our irrigator members include a wide range of farmers and growers – sheep and beef, dairy and cropping farmers, horticulturalists, and winegrowers as well as sports clubs, retirement villages and recreational facilities. We represent over 120 irrigation service industry companies – manufacturers, distributors, irrigation design and install companies, and irrigation decision support services. A number of our irrigation scheme members supply drinking water and local energy options as well as water for productive purposes.

We are a voluntary-membership, not-for-profit incorporated society whose mission is to create an environment for the responsible use of water for food and fibre production, for lives and livelihoods.

As an organisation we actively promote best practice irrigation and carry out a range of training and education activities. Over the last five years we have trained over 3,000 irrigators on different aspects of irrigation best practice to improve water use efficiency and better manage environmental effects and hold members to accreditation standards and codes of practice, with more than 40 new designers in the latest science in the past 18 months alone.

IrrigationNZ members share many of the same goals as other New Zealanders:

- to reduce their environmental footprint and see improvements in the health of our waterways;
- to contribute to the wellbeing of their communities; and
- to provide for, and be part of, a sustainable future for New Zealand.

Introduction

IrrigationNZ is supportive of the desire to reduce emissions in New Zealand and play our part in this global issue, and believe we have a duty to New Zealand and our farmers to get a fair and balanced approach to reducing our warming impact.

IrrigationNZ is a partner in He Waka Eke Noa (HWEN). For a small, membership organisation, we have committed considerable time and energy to the partnership in the last two years. The partnership, for us, was an oportunity for all the food and fibre sector to work collectively and collaboratively with government and iwi, on a package that would lead to the sector doing its bit in reducing greenhouse gas emissions, in a way that was supported, fair, equitable, and recognised the significance of the sector to New Zealand, not just from an economic perspective, but our role in ensuring that our environment, and our people and communities are thriving.

The Government's proposed changes to the HWEN parternship approach for pricing agricultural emissions, as set out in the consultation document released in October, significantly alter the status of what the partners (which included government officials from MPI and MFE) agreed to. The He Waka Eke Noa proposed system was a careful and strategic balance of interests from diverse and often opposing sectors to come together for the overall outcome of reducing greenhouse gas emissions in part through this pricing mechanism, but which also supported behaviour change extension activities and new research. Modelling by the Partnership confirmed this was possible and achievable without international leakage or seriously damaging individual sectors (or parts thereof).

While we are pleased to see goverment support for a split gas levy in recognition that biogenic methane has a different warming effect than other greenhsoues gases, IrrigationNZ is disappointed that the agreed approach prepared by the three groups (Industry, Māori and Government) was not accepted in its entirety given the mahi by all three groups, having worked together for over 2 years to land on a pricing mechanism that while impactful, was fair across all sectors and achieved the outcomes being requested of it. It is our view that the changes proposed by government fundamentally alters the measure of fairness and equity, which are core principles of HWEN.

The Government's proposed changes have shifted the overall balance and signifcantly risks marginalising sectors (as shown in the governments own modelling) and therefore losing their support for improvements and change. As noted by the HWEN submission, it also raises a risk that our communities and New Zealand as a country will pay a higher price for transition to a low emissions economy than they need to.

IrrigationNZ is a values based organisation and prides itself on collaboration and finding win- win approaches to change and while government may feel the changes are minor when the big things were agreed – ie farm level and split gas- by rejecting the two year process and changing components, a number of values feel undermined and we wish to note them;

Collaboration - Collaboration of a group requires leadership and trusted relationships across all parties to build solutions. There must be mutual respect where each party must compromise in favor of a joint solution and be accountable for that joint solution. If one party breaks the trust or doesn't fully engage it can affect the overall success of the group because other compromises across parties were made in good faith. When partners fully engage and compromise around solving the challenge this provides the opportunity for best outcomes or a win-win.

Trust - Trust takes time to build, is easily broken and not easily mended. In October we feel the government broke the trust of the partnership with the alterations to the industry He Waka Eke Noa partnership proposal. These alterations left individual leaders within the group accountable to their industries for the compromises that were made and finely balanced in good faith for a pan sector solution. Farmers and growers had also put a level of trust in primary sector leadership which was compromised via a flow on of the government's decision. Lack of trust can reduce buy in or ownership over the challenge as problem solving increasingly becomes seen as the role of the regulator.

Leadership - Climate change is a difficult problem that defies an end solution, as science and innovation develop there will be the opportunity to move and adapt. For this reason, it requires leadership, and emerging leadership that can stand up to take the batten to lead as time goes on. For future leadership to step up they need a trusted environment in which to lead, be relatable to rural communities but also be bold enough to make hard decisions. It is difficult to enable leadership in the absence of trust which then limits the opportunity for good outcomes.

'As New Zealanders we pride ourselves on our number 8 wired ethos, our ability to solve problems and an unfailing sense that everyone should be given a fair go'. The hearts and minds of rural communities hold a big role to play in reducing our Agricultural Emissions. We need engagement, trust and leadership.

IrrigationNZ supports the HWEN submission in response to the Government's proposals and we make the following additional and complementary submissions on matters that are important to our members. As Government was a partner all the way through the HWEN process, we hope that Government will reconsider its recommended changes and bring back the important components ensuring that balance is brought back into the equation. It is critical that the Government take the recommendations of the partnership and take additional submissions from the sector bodies, such as ours, on board. We want policy to be enduring, and the best way to achieve that is for it to have full partnership support.

The key areas of concern from IrrigationNZ's perspective, in addition to those matters rasied in the HWEN Partnership submission are outlined as follows:

- Price settings, governance and transitional arrangements
- Sequestration
- Organic fertiliser
- Collectives
- Enablers to support behaviour change, marginal planting and land use change to other productive sectors
- Targets
- Modelling

Key Areas of Concern

Price Setting, Governance, transitional arrangements

The He Waka Eke Noa Partnership has been focused on designing a system that reduces emissions in line with targets while maintaining a viable productive primary sector.

Therefore, IrrigationNZ does not support the government's proposed approach to setting levy prices.

- Any levy price should be set as low as possible while achieving the agreed 'no further warming' targets
- Recognition for sequestration needs to be factored into the levy and there needs to be checks and balances as well as relief during transition to ensure otherwise viable businesses are not so severely impacted that they are no longer able to stay viable.
- We also believe that the agricultural sectors should have the ability to provide input on the levy price. Price setting should not be a political exercise. We would like to see a formal place for the sector to appoint industry expertise, and for an industry representation to part of the governance group. It is noted that there is no longer an agricultural expert on the climate change commission, nor on the appointments board, which risks a lack of industry expertise in an area considered central to New Zealand's emissions profile. Therefore, input from the sector in price setting will be vital.
- The sectors will be able to provide much more accurate information on the likely financial impacts that proposed levy prices may have on individual sectors and/or groups within one sector. This would support the key pricing objective of 'equity' which must be a key criteria for setting the levy price.
- While it is recognised that price setting is a lever to facilitate on farm emissions reductions, it would not be in NZ's best interests if this was done at the expense of sector profitability, or through international leakage. The sector is in the best position to understand these impacts.
- We recommend that determination of the criteria and process for price setting includes formal input from the primary sector.

Sequestration

IrrigationNZ is particularly concerned about the reduction of the impact and ability to use on farm sequestration to offset greenhouse gas emissions, when it allows other non-methane producers the ability to do so. In comparison, we know that small plantings have a meaningful impact on farm nutrient loads.

There seems to be a view that allowing offsetting by sequestration will result in farmers not actually making genuine reductions of their greenhouse gas emissions. The use of true sequestration planting is so that we can demonstrate that free range/pasture based farming, high country farming with few animals per hectare of grass and cover trees, and the low intensity, low stock farming which we have in New Zealand has a very small impact on the environment, and those farms are getting credit for that from their plantings and associated land use. This sets us aside from the world as low emitters. It is not about reducing the burden of impact but demonstrating that while the agricultural sector produces a high proportion of the overall greenhouse gases for New Zealand it also sequesters this through sporadic trees, shelter belts, riparian planting, crops and grass – therefore supporting a free range approach that helps with biodiversity, uptake of nutrients and ensuring good soil health.

By not accounting for all sequestration, we are not truly reflecting the way that pastoral farming with shelter and shade planting supports reduction in environmental impacts. There could be a perverse outcome from the Government's recommendation of farmers being forced to increase stock numbers to offset the levy paid. The unintended consequence of not acknowledging cumulative planting across the whole farming landscape could also lead to additional afforestation of good, food producing land where sporadic plantings, small crops of native trees, and riparian planting would be a far better option, and they are also able to offset other pollutants and contaminants too.

A more holistic approach to how sequestration has benefits not just for greenhouse gas emissions reductions, but overall farming impacts, needs to be carefully considered. Sequestration needs to include all of the elements so that we can to tell the true story of our production systems and to ensure farmers are continuing to do the right things, and not encouraging decisions that could ultimately create perverse outcomes.

Collectives

IrrigationNZ is concerned about the removal of the ability for non-Māori farmers to form collectives to work together. Collectives are a natural component of irrigation schemes and irrigator water user groups and provide a mechanism for smaller farmers within a catchment to lean into a support network, leading science and behavior change, working together to achieve greater and more impactful environmental outcomes. Collectives are a mechanism to affect change, to support each other and reduce the burden of compliance as well as to getting an array of different farm types and systems working closely together.

Collectives are natural for our members, with many already well established, managing the environmental reporting and plans for farmers and with significantly better outcomes than when farmers are doing it on their own. Our members have constantly and consistently demonstrated that more can be achieved with a collective approach when compared to individuals on their own. If the government were keen to see meaningful outcomes and impact, then enabling collectives for all must be accepted as an essential tool in achieving this. As an example in the Canterbury region, the Canterbury Irrigation Schemes manage the Farm Environment Plans for their farmers, and have an average of around 90% A grade audits, compared to the regional average of 52%. This ability to manage and support best behaviour can translate well in to GHG too.

Organic Nitrogen

The recommendations relating to Organic Nitrogen appear to be counter intuitive to the Government's approach to reducing wastage, increasing biodiversity and regenerative farming practices. Organic fertiliser is an important element in the reduction of the reliance on synthetic fertilisers. It is a natural waste product that forms part of the greenhouse gas calculation for animal production (counted as part of the methane calculation) and it is key to the support of growing plants. To treat organic fertilisers in the same way as inorganic fertilisers goes against the desire for more regenerative farming practices, improving soil health and reducing wastage. It also leads to double counting of a product that can improve the growth ability of sequestrating plants and trees, in particular for crops, fruits and vegetables. Regenerative/free range practices

are part of the reason that New Zealand food and fibre production is already as low emitting as it is. This counter intuitive approach to a key component in the production cycle by demonizing it and counting it twice in the calculations, will lead to an unintended consequence of more synthetic nitrogen fertiliser being used as the marginal costs are reduced. Government should in fact be incentivizing better use of wastage for both reduction in greenhouse gas emissions overall but also better outcomes for soil health, waterway health and biodiversity. All areas of which are intrinsically linked.

Therefore, IrrigationNZ does not support the inclusion of organic nitrogen fertilisers in the farm level emissions reporting framework.

- Organic nitrogen fertilisers come in many forms containing wide ranging percentages of Nitrogen. New Zealand has no suitable system or process to quantify the Nitrogen content of organic manures, meaning there is no way to verify and audit how much Nitrogen is being applied from any given volume of organic fertiliser.
- Including organic Nitrogen will also create inequities between those farms who produce and use manure on their own farm and those that purchase and bring organic fertiliser onto their farm.
- There are many environmental benefits from having a farm in its own closed fertiliser system, for example, improved soil quality and resilience. Including organic nitrogen fertilisers in the farm level emissions reporting framework would disincentivize this practice.

Enablers for Land Use Change

IrrigationNZ remains concerned that a path way for land use change, and increased expectations for renewable energy have not been provided for in these discussions or in the National Adaption Plan. IrrigationNZ sees that there is an opportunity for more investment in water infrastructure, capture, storage and use to encourage diversification of land use, as well as an opportunity for more localised hydro-electricity generation and fresh drinking water supplies. More capture, storage and irrigation use is needed to support investment into other forms of agriculture such as horticulture development, more cropping farms, and even medicinal marijuana. The pricing of agricultural emissions with no plan to support farmers to diversify is taxing farmers with little or no opportunity to change. To meet any targets beyond the 10% that does not lead to international leakage, New Zealand needs to invest in more, and cheaper electricity generation, and reliable off river storage. There needs to be carrots and enablers, not just sticks.

The price of water and energy, and the sourcing of energy closer to point of use are going to be critical to enabling behavioral change. IrrigationNZ believes that there needs to be more Government research and development in precision use and application of water as well as organic nutrient application. Our zero carbon targets will not be met without investment in water storage, capture and precision use.

IrrigationNZ is also considers that there is greater need for a more coordinated response across similar policy frameworks which all seek the same outcomes. There is a huge amount of overlap in policy areas such as freshwater regulation, biodiversity enhancement, highly productive land use change, the primary production strategy ‘Fit for a Better World’, RMA reform, 3 Waters, infrastructure development, supporting Māori

agribusiness objectives and iwi rights and interests. IrrigationNZ often sees a lack of coordination between Government organisations and agencies in these areas, and therefore, opportunities for better strategic outcomes that will have long term benefits for the whole country are constantly missed.

IrrigationNZ is keen to ensure that moves toward decarbonisation of the economy are able to move as more understanding evolves around pasture based practices and the ability to understand and increase carbon sequestration and resilience (often under the banner of regenerative agriculture).

Targets

IrrigationNZ points out that the targets for 2030 and 2050 set by the CCC were not part of the He Waka Eke Noa pricing mechanism scope, and we are in full alignment with our fellow sector groups, none of who have agreed to the second target of 24-47% reduction in methane for the year 2050.

While outside the scope of the He Waka Eke Noa pricing approach, IrrigationNZ would like to note that without technological interventions around the production of methane from animals, that target would be impossible to reach without serious reductions in production and economic pain, and would overachieve the desire for the agriculture sector to play its part in a net zero, no warming approach. Such a target under current science would instead lead to a requirement for agriculture, (for methane) to, in effect, have a cooling effect given the short term nature of methane in the atmosphere. Therefore, while out of scope for pricing, IrrigationNZ would like it noted that we do not support the current 2050 target set by the CCC as it is not based on the sectors actual warming effect, but rather a target for gas. We would like more research to go into what New Zealand would need to achieve in terms of reductions to methane to achieve no more warming.