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Ministry for the Environment
PO Box 10362
Wellington 6143
ERPconsultation@mfe.govt.nz

DairyNZ submission to the Ministry for the Environment on the Second Emissions Reduction Plan

DairyNZ appreciates the opportunity to provide feedback to the Ministry for the Environment on New Zealand's second emissions reduction plan, covering the budget period 2026-2030.

Executive summary

DairyNZ submits the following views:

- Assumptions regarding agricultural mitigation technologies should be more cautious and robustly tested with organisations that understand farm systems.
- Methane should be reported separately from long-lived gases, rather than being bundled together as carbon dioxide equivalents. This would enable clearer tracking of progress towards the split gas targets (that are currently under review).
- Work on developing New Zealand-specific science for non-forestry carbon removal options, including on-farm sequestration via vegetation and soils, needs to start urgently.
- Pricing should only be used to support and incentivize technology uptake.
- There should be a clear plan to include proven farm practices and new mitigation technologies in the national inventory and any on-farm methodology/s.
- More analysis is needed on how to close the gap to achieving the first NDC, including the economic impact of spending on offshore mitigation.
- The removal of climate-focused extension and advisory services from the first emissions reduction plan is a risk.

Introduction

1. DairyNZ is the industry-good organisation representing New Zealand's 11,000 dairy farmers. We seek to progress a positive future for New Zealand dairy farming through enhanced sustainability, profitability, and competitiveness. The dairy sector employs almost 55,000 people, generates \$25b in export earnings, and comprises one third of all goods revenue.
2. DairyNZ is committed to dairy farming playing its part in transitioning to a low emissions economy alongside the rest of Aotearoa New Zealand. Our work covers research, economic and farm systems analysis, and extension to support the sector to improve its efficiency and profitability, build resilience to a changing climate, and reduce its emissions.

Discussion document - chapter 2: Tracking progress towards meeting emissions budgets

Emissions budgets, projections and reporting that separates short- and long-lived gases

3. DairyNZ believes there is a missed opportunity for the government to report on biogenic methane emissions separately within each emissions budget. We note that the Technical Annex to the discussion document presents separate projections for biogenic methane. This approach should be adopted in New Zealand's current and future emissions reduction plans to align with the legislative targets. It should also be implemented by the Climate Change Commission in its analysis and reporting.

Tracking reductions of agricultural emissions

4. It is crucial that scientifically proven on-farm management practices and new technologies for reducing agricultural emissions are rapidly included in New Zealand's National Greenhouse Gas (GHG) Inventory as they become available. As noted by the Climate Change Commission in its first monitoring report,¹ urease inhibitors are currently the only low emissions technology to be accounted for in the inventory.
5. Recognition of a wider range of practices and technologies should also be advanced in the Government's methodology for estimating and reporting on-farm emissions. This will be important to achieve well in advance of the Government's stated intention to price agricultural emissions before 2030.
6. We are cautious about the potential duplication of farmer efforts in reporting emissions and other environmental and farm management data. While we support a standardised methodology for estimating on-farm emissions, we note that processors and financial institutions are seeking the same information. There should be active alignment between the farm-level methodology, the inventory, and the systems for farm-level emissions estimation already used by processors.

Nationally Determined Contribution

7. DairyNZ supports the statement in the discussion document that New Zealand's first Nationally Determined Contribution (NDC) "must be met as far as possible through domestic abatement" (page 34 of the discussion document). However, we remain concerned at the size of the gap and its potential economic impact. Treasury has previously estimated this as costing anywhere between \$3.3bn and \$23.7 bn and describes it as "a significant fiscal risk."²
8. We urge the Government to provide more detailed analysis and policy direction in the second emissions reduction plan as to how the NDC gap could be closed.
9. We also encourage the Government to take a broader approach in setting New Zealand's second NDC in 2025. As noted on the Ministry for the Environment website, "[the main purpose of an NDC is to outline the contribution that countries will take towards delivering on the goals of the Paris Agreement.](#)" The NDC should not be singularly focused on stating a target, but rather an exploration of the many ways that New Zealand is already contributing or could consider contributing further to the Paris Agreement goals. For example, agricultural mitigation technologies developed here will likely also help reduce greenhouse gas emissions in other agricultural producing countries.

¹ See page 223 of the Climate Commission's [Monitoring report: Emissions reduction \(July 2024\)](#).

² [Ngā Kōrero Āhuarangi Me Te Ōhanga: Climate Economic and Fiscal Assessment 2023 \(treasury.govt.nz\)](#)

Discussion document - Chapter 4: Funding and financing climate mitigation

10. DairyNZ welcomes the Government's commitment to addressing investment barriers as a priority to enable greater private investment in climate mitigation. We have already seen progress with the formation of AgriZero, a world-first public-private partnership focusing on solutions for agricultural emissions.
11. Climate outcomes are strongly linked to other environmental outcomes, especially biodiversity, freshwater, and animal welfare. When seeking to support greater private green investment, DairyNZ emphasises the importance of promoting a holistic approach and understanding and monitoring impacts on ecosystem health across the whole farm system. Taking an integrated approach to green finance presents an opportunity to better incentivize the uptake of nature-based solutions such as the removal of emissions through non-forest measures, e.g. wetland restoration and on-farm vegetation.
12. Government has an important role to play in ensuring system coherence across market-based incentive mechanisms (i.e. credit schemes), environmental reporting and other regulatory requirements to avoid duplication and confusion for farmers.

Discussion document - Chapter 7: Agriculture

Technology assumptions

13. DairyNZ welcomes the technology-led approach proposed for agriculture in the second emissions reduction plan, and the significant funding injection that successive governments have provided to support research, science and innovation in this area. This approach recognizes that New Zealand farmers are dependent on the availability of new tools and practices to significantly reduce their emissions without impacting production.
14. However, we note that farmer uptake of these technologies is reliant on several factors:
 - a. Mitigation tools and practices must be economically viable and practical to implement in our pastoral systems. They should also minimize negative environmental consequences and not affect food safety or threaten overseas trade.
 - b. They must be recognized in any farm-level emissions estimation and reporting system (and national greenhouse gas inventory).
 - c. Incentive structures must be in place to support their uptake.
15. We also urge a more cautious approach to making assumptions about technology availability, efficacy and uptake in the period 2026-2030 than is used in the discussion document.
16. As an example, Table 0.2 (page 16) assumes a "60% effective methane inhibitor is available for dairy in 2027." Care must be taken when making such assumptions. On efficacy, published data indicates ruminal adaptation as early as 5-10 weeks after treatment. This must be accounted for in any projections or estimates, along with other influencing factors such as variability between the response at the individual animal level compared to the herd level, or any potential reduced response from animals grazing large quantities of fresh forages.
17. Another example from Table 0.2 relates to EcoPond. While we agree that supporting the uptake of EcoPond for dairy farmers will be an important tool to reduce emissions, a 10-50% uptake for

the second emissions budget period is ambitious. This is due to the current capital investment for installation, as well as sizeable annual operating costs.

18. The projections for the second emissions reduction plan cannot be based on overly optimistic assumptions that have not been grounded in dairy farm systems analysis. Such assumptions must also consider the likely availability of the technology, the extent of regulatory hurdles that must be overcome, the practicality of implementing the technology in any given farm system, and what incentive structures are in place to support farmers.
19. DairyNZ has consistently urged both government officials and the Climate Change Commission to be cautious when making such assumptions and would welcome the opportunity to further discuss our concerns.

Streamlining regulatory pathways

20. DairyNZ supports the Government's efforts to streamline the regulatory approval process for emerging technologies. We welcomed the announcement of the regulatory review of agricultural compounds and will be actively participating to ensure that the current barriers to testing and approving tools like methane inhibitors can be improved.
21. As noted above in paragraphs 4-6, we seek an acceleration of processes for recognizing new tools and practices in the GHG inventory and the Government's on-farm reporting methodology.
22. Comprehensive accounting for low-emissions technologies and farm management practices is essential. This should be done in a way that minimizes paperwork for farmers, to enhance the accuracy of agricultural emissions calculations.

Government support for on-farm action to reduce emissions

23. It is widely accepted that advisory and extension services have a critical role to play in supporting farmer readiness to take actions to manage emissions and build climate resilience, as well as to participate in any future pricing mechanism. These services need to be grounded in strong farm systems knowledge and trusted relationships.
24. It was disappointing to see that the Government has discontinued the development of "further climate-focused extension and advisory services" from the first emissions reduction plan (page 119). Dedicated, well-resourced and coordinated extension will be essential in supporting farmers to integrate new mitigation technologies into their systems and to participate fully in any future pricing mechanism. We seek clarity on how this will happen if not through the first emissions reduction plan.

Developing a fair and equitable pricing system

25. DairyNZ welcomes the establishment of the Pastoral Sector Group to address methane. We look forward to the outcome of the target review as important information and context to inform future discussions on pricing.
26. We consider that pricing should only be used as a means for creating a circular fund to support and incentivize technology uptake, sequestration and other measures that will help drive emissions reductions on-farm.

Discussion document - Chapter 8: Forestry and wood processing

27. DairyNZ supports the principle of *'right tree, right place, for the right purpose'*. We endorse an integrated landscape approach where land use and land are matched, and natural resources are utilized with environmental limits.
28. As such, we note the issues raised by Beef + Lamb NZ and the Meat Industry Association:
 - a. Forestry offsetting must be limited.
 - b. The current price decline in the ETS and decline in afforestation will only be temporary if enduring policy changes are not made.
 - c. Equally, the proposed moratorium on registrations for certain land-use types is a temporary fix, but we need to truly consider how and whether we should be using trees to offset fossil fuel emissions.
 - d. Farmers are keen to integrate more trees into their farming systems, but wholesale farm conversion to carbon forestry reduces export earnings. Carbon forestry levels must be balanced against the economic prosperity and climate resilience of our land uses.

Discussion document - Chapter 9: Non-forestry removals

29. DairyNZ welcomes the acknowledgment of the role of non-forestry removals. However, we are disappointed in the lack of progress in this area to date.
30. The need for New Zealand-specific science in this area was identified in 2022 as part of He Waka Eke Noa. This work should be urgently prioritized, along with work to explore the inclusion of non-forestry removals in the NZ ETS versus other mechanisms. It should not wait until the second emissions reduction plan period to begin. Currently, the NZ ETS is not designed for a high number of participants with relatively low amounts of sequestration compared to existing forestry users.
31. Any system to recognise non-forestry emissions removals needs to be practical for participants and regulators, credible, and supportive of an integrated farming approach. There is a range of non-forestry vegetation on-farm, and the system needs to be flexible, with the least administrative burden for farmers and the regulator.
32. We also support reporting of non-forestry removals on farms to be domestically counted as part of our carbon removals. This would recognise that there are currently no feasible means to fully avoid nitrous oxide emissions from food production. The ability to offset these emissions should be preserved.
33. There is potential to recognize and incentivize more carbon sequestration on-farm, including via soil carbon and wetland/peatland restoration. There also needs to be a pathway for rewarding removals as more New Zealand-specific science is undertaken and as technology in this area increases. For example, updated science is showing that peat emissions may make up more of New Zealand's emissions than first thought. To incentivize landowners to prioritize wetland areas, including those with peat soil, it is critical that the Government provides clear guidance and support for their management.

Discussion document - Chapter 11: Adaptation

34. DairyNZ supports the focus in the second emissions reduction plan on adaptation and climate resilience alongside mitigation. Adaptation is a critical issue for the primary sector, given the evidence that the world is not on track to meet the goals of the Paris Agreement.³
35. There is currently a lack of detail and planning to support the agriculture sector adapt to a changing climate. Farmers need integrated regulations and policies. We urge the Government to better partner with industry and sector stakeholders to achieve improved adaptation outcomes for farmers and promote a more cohesive approach. This should include robust climate information and planning tools to enable farmers to build greater resilience into their systems.
36. Policies should consider adaptation and biodiversity co-benefits from agricultural activities and operations and should support greater investment into resilience to maintain production and supply chains.

Discussion document - Chapter 12: Distributional impacts of climate mitigation policy

37. DairyNZ would like to see the 'rural proofing' framework considered as part of the second emissions reduction plan. The government needs to consider the challenges faced by the rural sector when designing and implementing policy.
38. Rural communities are already being impacted by an ever-growing number of environmental and climate policies at central, regional, and local government levels. We seek to ensure that the government addresses the distributional impacts on rural communities.

SUBMISSION ENDS

DairyNZ contact: Roger Lincoln, Head of Policy (roger.lincoln@dairynz.co.nz)

³ [World's top climate scientists expect global heating to blast past 1.5C target | Climate crisis | The Guardian](#)