

PNZ Bulletin



He Waka Eke Noa: a summary of what Potatoes NZ know so far

From 2025 greenhouse gas emissions from animals and synthetic fertiliser will face an emissions price

He Waka Eke Noa is designing an alternative to the ETS, with a price at the farm level and complementary measures such as farm planning.

This paper describes how emissions from fertiliser would be priced either in the ETS or at farm level in the system designed by *He Waka Eke Noa*.

Fertiliser is included in the ETS

This would mean that people who import fertiliser would pay per tonne of carbon equivalent emissions.

Agriculture, including Horticulture, is likely to enter the ETS with 95% free allocation, so the fertiliser company would only be exposed to 5% of the cost, but fertiliser companies might add extra admin costs.

The ETS price is likely to increase, but we don't know by how much. It's a market so the price depends how efficient NZ is at reducing emissions. Free allocation is likely to decrease.

We don't know by how much, because that would be driven by future policy decisions.

The advantage of being in the ETS is the fertiliser company will deal with admin and pass on the cost on the invoice. The disadvantage is all fertiliser used will be captured and on-farm sequestration won't be able to be used as offset. While growers won't have to report on fertiliser use at the farm level for ETS, greater farm level reporting may be required as part of freshwater farm plans regardless.



Fertiliser is priced in *He Waka Eke Noa* at the farm level

In this option growers would need to report their fertiliser use and pay directly.

This option is likely to include a threshold under which people won't need to pay or report. The threshold hasn't been determined yet but is only likely to capture bigger growers (the interim threshold is >80ha, this is likely to be changed to an effects-based threshold related to the amount of fertiliser used).

Growers with animals in their rotation would likely to be above the threshold because animals create more emissions than fertiliser.

It is possible that the emissions price in *He Waka Eke Noa* system could be lower than in the ETS, because it will relate to the agriculture sectors' ability to reduce emissions rather than the whole economy's ability to reduce emissions, and because while the ETS is a market instrument, *He Waka Eke Noa* is a system that includes a price and complementary measures, such as greenhouse gas farm plans and on-farm sequestration.

People who have bush blocks, riparian plantings or new orchards, that meet criteria, will be able to count their sequestration and offset their costs.

He Waka Eke Noa is exploring collectives so groups could manage costs and reporting together. The fertiliser companies may offer collectives as a service.

The *He Waka Eke Noa* Steering group has recommended that the point of obligation for synthetic nitrogen fertiliser be set at the farm-level as this provides an increased incentive for behaviour change due to clear sight of the emissions price, an option to offset those emissions and the ability to incorporate future mitigations.

Farm Plans

In addition to a price, the *He Waka Eke Noa* system includes the requirement to have a greenhouse gas module within your farm plan. NZ GAP has put forward the EMS as a greenhouse gas module for approval as an efficient way of growers achieving their farm planning requirements. (The GAP national technical working group are working a solution for Global GAP too).

FAQs from the *He Waka Eke Noa* website

Will there be changes in the way emissions are calculated once pricing starts?

It is likely that there will be some changes in the definitions and methods that will be used to base the pricing mechanism. This is needed to make sure the pricing system is fair and consistent between different farmers and growers, and this work is underway as part of developing recommendations on an alternative pricing mechanism.

Right now, a variety of tools and calculators are available so farms can start getting a handle on their greenhouse gas numbers.

Is on-farm sequestration in the models?

On-farm sequestration (as is currently recognised within the ETS) is included within three of the models (Alltech, MfE and Overseer). Farmax is shortly to release an updated version which includes on-farm sequestration.

A big focus of the *He Waka Eke Noa* programme is investigating how to recognise other forms of on-farm sequestration that are not currently recognised in the ETS. It's a work in progress and we are working with farmers, growers, and scientists to find the best answers.

When will I start getting charged money on these emissions?

Government has legislated that a price on emissions will start in 2025.

Developing an appropriate pricing system as an alternative to the emissions trading scheme with farmers and growers involved, is one of the challenges that has been set for *He Waka Eke Noa*, along with more information on on-farm sequestration options and how that works in with pricing.

We need to present the pricing system and on-farm sequestration recommendations to the Ministers in March 2022.

What happens if we don't know our numbers by the end of 2022?

If we don't meet the next couple of milestones, it's possible that the programme will not be considered successful and agricultural greenhouse gases will be brought into the Emissions Trading Scheme at processor level instead after July 2022.

When do I need to know my numbers?

By the end of 2022 at the latest if your farm is 80ha or more, or if you have a dairy supply number or are a cattle feedlot as defined in freshwater policy. Your industry bodies are here to help you with doing this alongside your Farm Environment Plans.

The *He Waka Eke Noa* programme milestones are:

1. By the end of 2021, a quarter of farms in Aotearoa New Zealand know their annual total on-farm greenhouse gas emissions*.
2. By the end of 2022, 100% of farms know their annual total on-farm emissions.
3. By the end of 2024, 100% of farms have a written plan to measure and manage emissions
4. January 2025 all farms in NZ are using the system for farm-level accounting and reporting of 2024 agricultural emissions at farm level. This will include an appropriate pricing system.

**In practice this means a person responsible for farm management holds a documented annual total of on-farm greenhouse gas emissions, by methods and definitions accepted by the *He Waka Eke Noa* Steering Group.*

Who is representing farmers in the conversations on sequestration, emissions pricing and reporting?

Industry partners are drawing on the expertise of farmers and growers to build this framework. The first farmer reference group conversations were in October around the farm plan greenhouse gas guidance and provided some lively discussion as well as fundamental ground truthing.

Over November 2020 the farmers and growers debated the first steps in the reporting, sequestration and pricing themes of the partnership.

Our farmer reference groups come from across the primary sector, and so far include:

- o Beef + Lamb New Zealand Environment Reference Group
- o Deer Industry Environmental Stewardship Reference Group (and NZDFA Executive Committee)



- FAR Climate Reference Group
- Federated Farmers Climate Reference Group
- DairyNZClimate Change Ambassadors Group
- HortNZGroup
- Professionals from NZIPIM.

How will I get Greenhouse Gas into my farm plan?

To keep things as simple as possible, the greenhouse gas module will be added to existing farm plan delivery systems, such as processor programmes, fertiliser company plans, irrigation scheme programmes and regional council programmes.

If you are a fruit or vegetable grower, the Good Agricultural Practice (GAP) Environmental Management System (EMS) add-on can be used for greenhouse gas farm plan module requirements. The add-on will align with the greenhouse gas farm plan module commitments from 2021. If you are an arable grower, the FAR Farm Environment Plan template will be used.

When will I need to have Greenhouse Gas in my farm plan?

A quarter of farms will have a written plan in place by 1 January 2022.

The latest you can have a written plan in place to estimate and manage your farm greenhouse gas emissions is by 1 January 2025.

Your sector organisations will have information on their delivery programme and how they will be supporting you through the process. Talk to your industry representative.

What will my Greenhouse Gas module contain?

Every farmer and grower will:

1. Know your farm's greenhouse gas emissions
2. Identify opportunities to reduce your farm's greenhouse gas emissions and capture carbon
3. Make informed decisions about actions
4. Keep records, monitor and review.

Why do I need a Greenhouse Gas module in my Farm Plan?

Farm planning supports farmers and growers in good decision-making. Our primary sector has committed to a quarter of farmers and growers having a written plan to measure and manage their on-farm greenhouse gas emissions by 1 January 2022, and all farmers and growers by 1 January 2025.

Primary sector industry representatives and government have agreed that a farm planning approach to agricultural greenhouse gas emissions is essential to achieving a net reduction for the sector. Farm plans consider the unique nature of each farm and through this farmers and growers can:

1. Know your farm's greenhouse gas emissions
2. Identify opportunities to reduce your farm's greenhouse gas emissions and capture carbon
3. Make informed decisions about actions
4. Keep records, monitor and review

Over time, all farmers and growers will be able to show how you are playing your part towards solving the climate change challenge.

The Greenhouse Gas module has been designed to fit within your wider farm planning approach, including future freshwater requirements.

How will this programme link with what is happening in freshwater or other regulation?

The Partnership will line up information, tools and support for on-farm climate action with other on-farm environmental actions, such as protecting and restoring freshwater health and biodiversity.